

This document constitutes two registration documents pursuant to Article 20 paragraph 1 in connection with Article 10 paragraph 1 of Regulation (EU) 2017/1129 of the European Parliament and of the Council (the "**Prospectus Regulation**") in conjunction with Article 7 and Annex 6 of the Commission Delegated Regulation (EU) 2019/980 (the "**Delegated Regulation**"), (i) Registration Document I in the English language, and (ii) Registration Document II in the German language.

Dieses Dokument enthält zwei Registrierungsformulare gemäß Artikel 20 Absatz 1 in Verbindung Artikel 10 Absatz 1 der Verordnung (EU) 2017/1129 des Europäischen Parlaments und des Rates (die "**Prospektverordnung**") in Verbindung mit Artikel 7 und Annex 6 der Delegierten Verordnung (EU) 2019/980 der Kommission (die "**Delegierte Verordnung**"), (i) das Registrierungsformular I in englischer Sprache und (ii) das Registrierungsformular II in der deutschen Sprache.

Julius Bär

Bank Julius Baer & Co. Ltd., Zurich
(Banque Julius Baer & Cie SA, Bank Julius Bär & Co. AG, Banca Julius Baer & Co. SA), a corporation with limited liability under the laws of Switzerland ("**BJB**"), acting through its head office or a designated branch (the "**Issuer**")

Registration Document I

dated 10 June 2022

(the "**Registration Document**")

This Registration Document expires on 10 June 2023. The obligation to supplement this Registration Document in the event of significant new factors, material mistakes or material inaccuracies does not apply when this Registration Document is no longer valid.

Julius Bär

Bank Julius Bär & Co. AG, Zürich
(Banque Julius Baer & Cie SA, Bank Julius Baer & Co. Ltd., Banca Julius Baer & Co. SA), eine nach Schweizer Recht organisierte Aktiengesellschaft (die "**BJB**"), handelnd durch ihren Hauptsitz oder eine dazu bestimmte Zweigniederlassung (die "**Emittentin**")

Registrierungsformular II

vom 10. Juni 2022

(das "**Registrierungsformular**")

Dieses Registrierungsformular ist ab dem 10. Juni 2023 nicht mehr gültig. Die Pflicht zur Erstellung eines Nachtrags im Falle wichtiger neuer Umstände, wesentlicher Unrichtigkeiten oder wesentlicher Ungenauigkeiten besteht nach Ablauf der Gültigkeit dieses Registrierungsformulars nicht mehr fort.

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I. RISK FACTORS

Risks relating to the Issuer

In this section the issuer risks specific to BJB are set out. These risks are presented in risk categories (sections 1 to 3) depending on their nature whereby in each risk category the most material risks are set out first; all the remaining risk factors within each category are not set out in order of their materiality. The assessment of materiality of each risk has been made by the Issuer as of the date of this Registration Document based on the probability of their occurrence and the expected magnitude of their negative impact on the Issuer.

The assessment of materiality is disclosed by specifying whether the realization of the respective risk results in adverse effects on any or all of BJB's business, results of operations, capitalization, profitability, financial condition and/or prospects.

In this context the expressions "material" denotes a higher expected magnitude of materiality of the respective risk. If any of such denoted risks materialise, BJB may not be able to fulfil its obligations under the securities issued by it. Furthermore, the market value of securities issued by BJB can fall significantly or even be zero. Accordingly, investors in securities which are issued by BJB may lose their entire investment or parts of their investment (**risk of total loss**).

The risks described below may also occur cumulatively and thus be mutually reinforcing. In particular in the event that several of the risks listed below occur cumulatively and are mutually reinforcing, the ability of BJB to meet its payment or delivery obligations under such securities to investors may be adversely affected.

1. Risks related to the financial situation of BJB

In this risk category, the specific risks related to the financial situation of BJB are described. The most material risks in this category are the "Credit risk", the

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Emittentenrisiken

Im vorliegenden Abschnitt sind die auf die BJB anwendbaren Emittentenrisiken beschrieben. Die Risiken werden entsprechend ihrer Beschaffenheit in verschiedenen Risikokategorien (Abschnitte 1 bis 3) dargestellt, wobei in jeder Risikokategorie die wesentlichsten Risiken an erster Stelle genannt werden; die übrigen Risikofaktoren innerhalb jeder Kategorie sind nicht in der Reihenfolge ihrer Wesentlichkeit aufgeführt. Die Beurteilung der Wesentlichkeit jedes Risikos wurde von der Emittentin zum Datum dieses Registrierungsformulars auf der Grundlage der Wahrscheinlichkeit ihres Eintretens und des zu erwartenden Umfangs ihrer negativen Auswirkungen auf die Emittentin durchgeführt.

Die Beurteilung der Wesentlichkeit wird offengelegt, indem für das betreffende Risiko dargestellt wird, ob die Realisierung dieses Risikos nachteilige Auswirkungen auf einige oder alle Geschäftsbetriebe, die Ertragslage, die Kapitalisierung, die Profitabilität, die Finanzlage und/oder die Aussichten der BJB hat.

In diesem Zusammenhang bedeutet der Ausdruck "wesentlich" einen größeren zu erwartenden Umfang der Wesentlichkeit des entsprechenden Risikos. Falls sich eines der so bezeichneten Risiken verwirklicht, könnte die BJB gegebenenfalls nicht mehr in der Lage sein, ihre Verpflichtungen unter den von ihr begebenen Wertpapiere zu erfüllen. Überdies kann der Wert der von der BJB begebenen Wertpapiere erheblich sinken oder sogar null betragen. Mithin können Anleger, die in die von der BJB begebenen Wertpapiere investiert haben, ihr Investment ganz oder teilweise verlieren (**Risiko eines Totalverlusts**).

Die nachfolgend dargestellten Risiken können auch kumulativ eintreten und sich dadurch gegenseitig verstärken. Insbesondere im Fall, dass mehrere der unten aufgeführten Risiken kumulativ eintreten und sich gegenseitig verstärken, kann dies die Fähigkeit der BJB beeinträchtigen, ihre Zahlungs- oder Lieferverpflichtungen unter den Wertpapieren gegenüber den Anlegern zu erfüllen.

1. Risiken betreffend die Finanzlage der BJB

In diesem Abschnitt sind die Risiken betreffend die Finanzlage der BJB umschrieben. Die wesentlichsten Risiken in dieser Kategorie sind das "Kreditrisiko", das

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"Treasury risk" and the "Risk of a rating downgrade".

1.1 Credit risk

BJB is exposed to the risk that third parties that owe BJB money, securities or other assets default on their payment or other obligations in particular for lack of solvency.

Generally, the largest portion of BJB's credit activities consist of secured lending and margin trading activities as well as mortgages for its clients, which are secured by pledges of marketable equity and debt securities and real estate located in Switzerland and in selected international locations with a local banking presence, respectively, to mitigate BJB's credit risk. BJB's risk management procedures focus on the value of the collateral securing BJB's credit risk. However, BJB may become under-collateralised, for example, as a result of sudden declines in market values of the collateral. In such case, BJB may incur losses up to the amount by which the obligation owed to BJB exceeds the value of the collateral securing such obligation.

Therefore, the realization of any such credit risk may result in financial losses and, hence, have a material adverse effect on BJB's results of operations and financial condition.

1.2 Treasury risk

Treasury risk is inherent in the basic banking activities of BJB such as accepting deposits and providing loans and credits. The treasury risk of BJB consists of the financing risk and the liquidity risk.

Liquidity risk is the risk of BJB being unable to meet its payment obligations when they fall due. Financing risk is the risk of BJB being unable to finance its existing or planned activities on an ongoing basis at acceptable prices. Liquidity is critical to BJB's ability to fulfil its obligations to its clients and fund and operate its businesses, in particular in relation to accepting deposits, providing loans and credits. As at 31 December 2021 BJB's activities were largely financed by client sight deposits. BJB may be unable to obtain alternative financing on the interbank market in the event of a liquidity impairment. BJB's liquidity could be impaired at any given time by various developments in the banking market, e.g.

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"Finanzrisiko" und das "Risiko einer Herabstufung des Ratings".

1.1 Kreditrisiko

Die BJB ist dem Risiko ausgesetzt, dass Dritte, die der BJB Geld, Effekten oder andere Vermögenswerte schulden, ihre Verpflichtungen insbesondere mangels Zahlungsfähigkeit, nicht erfüllen.

Grundsätzlich besteht der grösste Teil des Kreditgeschäfts der BJB aus Lombard- und Wertpapierleihegeschäften sowie Hypothekarkrediten, die durch Verpfändung verkaufsfähiger Wertpapiere bzw. Liegenschaften in der Schweiz und an wenigen ausgewählten internationalen Standorten, wo eine lokale Bank-Präsenz vorhanden ist, gesichert sind, um das Kreditrisiko der BJB zu beschränken. Deshalb liegt der Fokus des Risikomanagement-Verfahrens der BJB primär auf dem Wert der Sicherheiten. Es kann jedoch vorkommen, dass die BJB unterbesichert ist, z.B. infolge eines plötzlichen Sinkens der Marktwerte der Sicherheit. In einem solchen Fall könnte die BJB Verluste bis zur Höhe des Betrages erleiden, um den die an BJB geschuldete Leistung den Wert der Sicherheit für die Verpflichtung übersteigt.

Folglich kann die Realisierung eines solchen Kreditrisikos zu finanziellen Verlusten führen und somit die Ertragslage und die Finanzlage von BJB wesentlich beeinträchtigen.

1.2 Finanzrisiko

Das Finanzrisiko ist den grundlegenden Bankaktivitäten von BJB inhärent, wie der Annahme von Einlagen und der Bereitstellung von Darlehen und Krediten. Das Finanzrisiko von BJB besteht aus dem Finanzierungsrisiko und dem Liquiditätsrisiko.

Das Liquiditätsrisiko ist das Risiko, dass BJB nicht in der Lage ist, seinen Zahlungsverpflichtungen bei Fälligkeit nachzukommen. Das Finanzierungsrisiko ist das Risiko, dass BJB nicht in der Lage ist, ihre bestehenden oder geplanten Aktivitäten laufend zu angemessenen Preisen zu finanzieren. Liquidität ist zentral für die Fähigkeit der BJB um ihren Verpflichtungen gegenüber ihren Kunden nachzukommen und um ihr operatives Geschäft zu finanzieren und zu betreiben, insbesondere in Bezug auf die Annahme von Einlagen, die Gewährung von Darlehen und Krediten. Zum 31. Dezember 2021 wurden die Aktivitäten von BJB weitgehend durch Kundeneinlagen finanziert. Im Fall einer Liquiditätsstörung könnte BJB nicht in der Lage sein,

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- market-wide illiquidity or disruption;
- unforeseen cash or capital requirements;
- unanticipated outflows of cash or collateral;
- unexpected loss of consumer deposits caused by changes in consumer behaviour; and
- lack of client confidence in BJB or financial institutions in general.

A diminution of BJB's liquidity may be caused by events over which it has little or no control. Failure by BJB to effectively manage its liquidity could constrain its ability to fulfil its obligations and fund or invest in its businesses in particular in relation to accepting deposits, providing loans and credits.

A realization of the treasury risk could therefore materially adversely affect BJB's results of operations and financial condition.

1.3 Risk of a rating downgrade

BJB is rated by credit rating agencies. As at the date of this Registration Document I Moody's Investors Service ("**Moody's**") assigned BJB a "Long-Term Senior Unsecured and Issuer Rating" of "A2".

- * Obligations rated A are considered upper-medium grade and are subject to low credit risk. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

BJB closely monitors and manages, to the extent possible, factors that could influence its credit ratings (e.g. expected future profitability, risk management practices, legal expenses, regulatory developments and economic and geopolitical trends). Despite such measures, Moody's has downgraded several ratings of BJB on 28 February 2020. In particular, BJB's long-term issuer ratings were downgraded from A2 to A3. Although Moody's upgraded the aforementioned rating from A3 to A2 on 13 July 2021, BJB continues to be subject to the risk of further credit rating downgrades in the future. A downgrading of BJB's credit ratings could e.g. occur at times of broader market instability when BJB's options

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sich am Interbankenmarkt alternativ zu finanzieren. Die Liquidität der BJB könnte jederzeit durch die folgenden Faktoren beeinträchtigt werden:

- Marktweite Illiquidität oder Unterbrechungen;
- Unvorhergesehene Liquiditäts- oder Kapitalvorschriften;
- Unerwarteter Abfluss liquider Mittel oder Sicherheiten;
- Unerwarteter Abzug von Einlagen aufgrund eines veränderten Konsumentenverhaltens; und
- Verlust von Kundenvertrauen in BJB oder in Finanzinstitute im Allgemeinen.

Eine Beeinträchtigung der Liquiditätslage der BJB kann durch Ereignisse bewirkt werden, über welche BJB kaum oder gar keine Kontrolle hat. Ein Versagen der BJB ihre Liquidität effektiv zu verwalten, könnte die Fähigkeit, ihren Verpflichtungen nachzukommen und um ihr operatives Geschäft zu finanzieren und zu betreiben, negativ beeinflussen, insbesondere in Bezug auf die Annahme von Einlagen, die Gewährung von Darlehen und Krediten.

Eine Realisierung des Finanzrisikos könnte demnach die Ertragslage und die Finanzlage der BJB wesentlich beeinträchtigen.

1.3 Risiko einer Herabstufung des Ratings

Die BJB ist Gegenstand von Bonitätsratings von Rating-Agenturen. Zum Datum dieses Registrierungsformulars II hat Moody's Investors Services ("**Moody's**") BJB's langfristige, nicht nachrangige, ungesicherte Schuldtitel und die BJB als Emittentin mit einem Rating von "A2" bewertet.

- * Moody's: A*: A-geratete Verbindlichkeiten werden der "oberen Mittelklasse" zugerechnet und bergen ein geringes Kreditrisiko. Moody's verwendet in den Ratingkategorien "Aa" bis "Caa" zusätzlich numerische Unterteilungen. Der Zusatz "1" bedeutet, dass eine entsprechend bewertete Verbindlichkeit in das obere Drittel der jeweiligen Ratingkategorie einzuordnen ist, während "2" und "3" das mittlere bzw. untere Drittel anzeigen.

Die BJB überwacht und verwaltet, soweit möglich, die Faktoren, die einen Einfluss auf ihr Bonitätsrating haben könnten (z.B. erwartete zukünftige Profitabilität, Riskmanagementpraxis, Rechtskosten, regulatorische Entwicklungen, und ökonomische und geopolitische Trends). Trotz solcher Maßnahmen hat Moody's am 28. Februar 2020 mehrere Ratings von BJB herabgestuft. Insbesondere wurden die langfristigen Emittentenratings von BJB von A2 auf A3 herabgestuft. Obwohl Moody's am 13. Juli 2021 das zuvor genannte Rating wieder von A3 auf A2 angehoben hat, unterliegt BJB weiterhin dem Risiko weiterer Bonitätsherabstufungen in der Zukunft. Eine

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for responding to events may be more limited and general investor confidence is low.

A downgrading of BJB's credit ratings and the corresponding loss of confidence in BJB as creditor could in particular reduce its access to capital markets, materially increase the refinancing costs and decrease the number of investors and counterparties that are willing or permitted to do business with BJB.

Therefore the downgrading of BJB's credit rating could have a material adverse effect on BJB's profitability and results of operations.

2. Risks related to the business activities of BJB

In this risk category, the specific risks related to the business activities of BJB are described. The most material risks in this category are the "Operational risk", the "Market risk", the "Reputational risk" and the "Pandemic risk".

2.1 Operational risk

BJB is exposed to operational risks. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, external events or fraud. It includes the risk of unexpected losses from isolated events, caused for example by faulty information systems, unsuitable organisational structures or deficient control mechanisms.

BJB's operational risk consists, in particular of information security risk, fraud risk, technology risk and its reliance on third parties for certain key services. The information security risk in particular includes the cyber risk. The cyber risk is the risk of a financial loss caused by cyber-attacks (attacks from the internet or similar networks on the integrity, availability and the confidentiality of the technological infrastructure regarding critical and/or sensitive data or IT-systems).

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Herabstufung des Bonitätsratings könnte z.B. zu Zeiten einer allgemeinen Marktinstabilität erfolgen, in denen die Möglichkeiten der BJB, auf entsprechende Entwicklungen zu reagieren, eingeschränkt sein könnten und das generelle Vertrauen von Investoren gering sein könnte.

Eine Herabstufung des Bonitätsratings und damit einhergehend ein Vertrauensverlust in die BJB als Gläubiger könnte eine Einschränkung des Zugangs zu den Kapitalmärkten bedeuten, die Refinanzierungskosten wesentlich erhöhen und die Anzahl der Investoren und Gegenparteien verringern, die gewillt bzw. befugt sind, mit der BJB Geschäfte zu tätigen.

Die Herabstufung des Bonitätsratings könnte sich somit wesentlich nachteilig auf die Profitabilität und die Ertragslage der BJB auswirken.

2. Risiken betreffend der Geschäftsaktivitäten der BJB

In dieser Risikokategorie sind die spezifischen Risiken des Geschäftsbetriebs der BJB umschrieben. Die wesentlichsten Risiken sind das "Operationelle Risiko", das "Marktrisiko", das "Reputationsrisiko" und "Pandemisches Risiko".

2.1 Operationelles Risiko

Die BJB ist operationellen Risiken ausgesetzt. Operationelles Risiko ist das Risiko von Verlusten, die auf unangemessene oder fehlerhafte interne Prozesse, Menschen, Systeme, externe Ereignisse oder Betrug zurückzuführen sind. Es umfasst das Risiko von unerwarteten Verlusten aus isolierten Ereignissen, die zum Beispiel durch fehlerhafte Informationssysteme, ungeeignete Organisationsstrukturen oder mangelhafte Kontrollmechanismen verursacht werden.

BJB's operationelles Risiko besteht insbesondere aus dem Risiko in Bezug auf Informationssicherheit dem Betrugsrisiko, dem Technologierisiko und der Abhängigkeit von Dritten für die Erbringung wesentlicher Dienstleistungen. Das Informationssicherheitsrisiko umfasst insbesondere auch das Cyber-Risiko. Unter Cyber-Risiko ist das Risiko eines finanziellen Verlustes aufgrund von Cyber-Attacken (Angriffe aus dem Internet und vergleichbaren Netzen auf die Integrität, die Verfügbarkeit und die Vertraulichkeit der Technologieinfrastruktur in Bezug auf kritische und/oder sensitive Daten und IT-Systeme) zu verstehen.

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The information security risk is deemed one of the most substantial risks for BJB. For banks in particular, the loss of confidentiality, availability or integrity would deprive the institution from being able to serve its clients. In particular, for a private bank such as BJB, trust of its clients is most important to be able to maintain its franchise.

A further risk type considered being of importance is fraud risk. Fraud attempts, committed by external third parties range from e.g. payment fraud, social engineering to asset misappropriation and alike.

Fraud risk also includes misconduct or improper practice by BJB's employees. Such fraud, misconduct and improper practice could involve, for example, fraudulent transactions entered into for a client's account, the intentional or inadvertent release of confidential customer information or failure to follow internal procedures. As BJB's core business is wealth management and investment advice BJB is particularly sensitive for such misconduct by its employees.

Information technology (IT) risks are in the financial industry, and are particularly important for BJB. The data and the data processing is at the heart of the bank's ability to serve its clients.

BJB is also exposed to the risk that arises from potential errors in the confirmation or settlement of transactions or from transactions not being accurately recorded, evaluated or accounted. BJB relies on internal processes and systems and BJB's businesses are highly dependent on its ability to process, correctly and on a rapid basis, a large number of transactions across several and diverse markets in several currencies. In an industry where business processes are becoming increasingly complex, BJB relies heavily on its financial, accounting and other data processing systems. If any of these systems, including but not limited to home office access during the ongoing COVID-19 pandemic, were not to operate properly or were disabled including due to a systems malfunction, cyber breach or other systems failure, BJB could suffer financial loss, liability to clients, loss of client confidence, regulatory intervention and/or reputational damage.

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Das Risiko der Informationssicherheit ist eines der substantiellsten Risiken der BJB. Besonders für Banken würde der Verlust der Vertraulichkeit, Verfügbarkeit oder Integrität sie daran hindern, ihre Kunden zu betreuen. Ganz besonders ist für eine Privatbank, wie BJB, das Vertrauen seiner Kunden wichtig, um ihren Marktwert aufrecht erhalten zu können.

Das Betrugsrisiko ist auch ein weiterer wichtiger Risikotyp. Betrugsversuche, die von externen Dritten begangen werden, reichen von z.B. Zahlungsbetrug, Social Engineering bis hin zur Veruntreuung von Vermögenswerten und Ähnlichem.

Das Betrugsrisiko umfasst auch Fehlverhalten oder unsachgemäße Praktiken von Mitarbeitern von BJB. Solche Betrügereien, Fehlverhalten und unangemessene Praktiken können beispielsweise betrügerische Transaktionen für das Konto eines Kunden, die absichtliche oder versehentliche Freigabe vertraulicher Kundeninformationen oder die Nichtbeachtung interner Verfahren umfassen. Da BJB's wichtigstes Geschäftsfeld die Vermögensverwaltung und die Anlageberatung ist, ist BJB besonders anfällig für ein solches Fehlverhalten seiner Mitarbeiter.

Informationstechnologierisiken (IT) sind in der Finanzbranche und für BJB von besonderer Bedeutung. Die Daten und die Datenverarbeitung stehen im Mittelpunkt der Fähigkeit der Bank, ihre Kunden zu betreuen.

BJB ist auch dem Risiko ausgesetzt, das aus möglichen Fehlern bei der Bestätigung bzw. Durchführung von Transaktionen bzw. der nicht ordnungsgemässen Erfassung, Bewertung oder Bilanzierung von Transaktionen entsteht. Die Geschäfte der BJB hängen im hohen Masse von ihrer Fähigkeit ab, eine grosse Anzahl von Transaktionen in unterschiedlichen Märkten in verschiedenen Währungen schnell und fehlerfrei zu verarbeiten. In einer Industrie, in der die Geschäftsprozesse zunehmend komplex werden, verlässt sich die BJB in erheblichem Masse auf finanzielle buchungs- und andere Datenverarbeitungssysteme. Falls ein solches System, insbesondere der Home-Office Zugang während der andauernden COVID-19 Pandemie, künftig nicht ordnungsgemäss funktionieren oder ausfallen würde, könnte die BJB dadurch finanzielle Verluste, Haftung gegenüber Kunden, Verlust von Kundenvertrauen regulatorische Eingriffe und/oder Reputationsschäden erleiden.

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In providing banking services to its clients, BJB relies on third-parties for certain key services, in particular clearing systems for USD transactions, other currencies and securities, sub-custodians and correspondence banks.

Any failure of these third parties to provide services to BJB could expose BJB to operational risks. Equally so, a voluntary sudden withdrawal from providing services to BJB due to a loss of confidence and/or trust may infringe the BJB's operational activities.

Therefore, the realisation of operational risks could have a material adverse effect on BJB's profitability and results of operations.

2.2 Market risk

Market risk refers to the potential losses from changes in the valuation of its assets and liabilities because of changes in market prices, volatilities, correlations and other valuation-relevant factors.

BJB separates its market risk into the trading market risk and the non-trading market risk.

Trading market risk

The continued development of the structured products offering of BJB across all asset classes is addressing the diverse needs of the global customer base of BJB. Trading market risk results in the context of structuring such structured products by BJB as well of providing access to global equity, bonds, foreign exchange, fx and precious metal markets. They are pursued with the intention of benefiting from actual or expected differences between the opening and closing price of proprietary positions, with the intention of benefiting from arbitrage profits, or with the intention of hedging risks from positions meeting aforementioned criteria. In the course of these activities, BJB is subject to market price changes.

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Bei der Erbringung von Bankdienstleistungen für ihre Kunden, ist BJB für bestimmte wesentliche Dienstleistungen auf Dritte angewiesen, insbesondere auf Clearingsysteme für USD-Transaktionen, andere Währungen und Wertpapiere, Verwahrungsstellen und Korrespondenzbanken.

Ein Ausfall eines Dritten bei der Erbringung dieser Dienstleistungen an BJB, könnte BJB operationellen Risiken aussetzen. Ebenso kann ein freiwilliger Verzicht auf die Erbringung dieser Dienstleistungen aufgrund eines Vertrauensverlustes in BJB die operative Tätigkeit von BJB beeinträchtigen.

Daher könnte die Realisierung operationeller Risiken wesentlich negative Auswirkungen auf die Profitabilität und die Ertragslage von BJB haben.

2.2 Marktrisiko

Das Marktrisiko bezieht sich auf die potenziellen Verluste durch Änderungen in der Bewertung seiner Vermögenswerte und Verbindlichkeiten aufgrund von Änderungen der Marktpreise, Volatilitäten, Korrelationen und anderer bewertungsrelevanter Faktoren.

BJB unterteilt ihr Marktrisiko in das Marktrisiko aus Handelsaktivitäten und das Marktrisiko ohne Handelsaktivitäten.

Marktrisiko aus Handelsaktivitäten

BJB's kontinuierliche Weiterentwicklung des Angebots an strukturierten Produkten über alle Anlageklassen hinweg wird den unterschiedlichen Bedürfnissen des globalen Kundenstamms von BJB gerecht. Marktrisiken aus Handelsaktivitäten entstehen bei BJB im Zusammenhang mit der Strukturierung solcher strukturierten Produkte sowie durch den Zugang zu den globalen Aktien-, Anleihe-, Devisen- und Edelmetallmärkten. Sie werden mit der Absicht betrieben, von tatsächlichen oder erwarteten Differenzen zwischen dem Eröffnungs- und dem Schlusskurs von Eigenhandelspositionen zu profitieren, mit der Absicht, von Arbitragegewinnen zu profitieren, oder mit der Absicht, Risiken aus Positionen abzusichern, die die oben genannten Kriterien erfüllen. Dementsprechend ist BJB Marktpreisänderungen unterworfen.

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In addition to the expected (intrinsic) volatility of market prices, the valuation of assets can be negatively affected by adverse changes in any of the following:

- investor, consumer and business sentiment;
- market-wide illiquidity or disruption supply of liquidity;
- events that reduce confidence in the financial markets;
- inflation or deflation;
- any sudden and substantial increases in the interest rates on the financial markets, in particular if unexpected and erratic, e.g. as a result of market disruption or an unexpected rise in a base interest rate;
- high unemployment or, conversely, a tightening labour market;
- the availability and cost of capital and credit;
- monetary and fiscal policies and actions taken by the Swiss National Bank and other central banks or governmental authorities;
- trade policies implemented by governmental authorities;
- the economic effects of natural disasters, severe weather conditions, health emergencies or pandemics, cyberattacks, outbreaks of hostilities, terrorism or other geopolitical instabilities; and
- the health of the U.S., European, Asian and Swiss as well as the global economy.

Changes in market prices can also be triggered by the fact that suddenly there is no longer a market for a financial instrument and therefore no market price can be determined.

If the trading market risk realizes, this could result in a material loss of BJB in relation to its trading activities and could therefore have a material adverse effect on BJB's results of operations.

Non-trading market risk

The non-trading market risk of BJB results from the management of financial assets and liabilities held in BJB's banking books with exposures mainly to interest rate risk, currency risk, credit spread risk, and equity risk.

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Zusätzlich zur erwarteten (intrinsischen) Volatilität von Marktpreisen, kann die Bewertung von Vermögenswerten durch nachteilige Entwicklungen folgender Faktoren negativ beeinträchtigt werden:

- Investoren-, Konsumenten- und Geschäftsklima;
- Marktweite Illiquidität oder Störung in der Liquiditätsbereitstellung;
- Ereignisse, die das Vertrauen in die Finanzmärkte beeinträchtigen;
- Inflation oder Deflation;
- plötzliche und erhebliche Zinserhöhungen auf den Finanzmärkten, insbesondere wenn sie unerwartet und unberechenbar sind, z.B. als Folge von Marktstörungen oder unerwarteter Erhöhungen eines Leitzinses;
- Hohe Arbeitslosenquote oder umgekehrt eine angespannte Arbeitsmarktlage;
- Verfügbarkeit von Kapital und Finanzierungskosten;
- Geld- und Steuerpolitik der Schweizerischen Nationalbank oder anderer Zentralbanken und Behörden;
- Ökonomische Auswirkungen von Naturkatastrophen, bedrohliche Wetterbedingungen, gesundheitliche Notfälle oder Pandemien, Cyber-Attacken, Ausbruch von Konflikten, Terrorismus oder sonstigen geopolitischen Instabilitäten; und
- Zustand der U.S., Europäischen, Asiatischen und Schweizer Wirtschaft sowie der Weltwirtschaft.

Veränderungen von Marktpreisen können auch dadurch ausgelöst werden, dass für ein Finanzinstrument plötzlich kein Markt mehr besteht und entsprechend kein Marktpreis mehr ermittelt werden kann.

Wenn sich das Marktrisiko des Handels realisiert, könnte dies zu einem wesentlichen Verlust von BJB in Bezug auf seine Handelsaktivitäten führen und könnte sich daher wesentlich nachteilig auf BJB's Ertragslage auswirken.

Marktrisiko, das nicht mit Handelsaktivitäten verbunden ist

Das Marktrisiko von BJB, das nicht mit Handelsaktivitäten verbunden ist, ergibt sich aus der Verwaltung von finanziellen Vermögenswerten und Verbindlichkeiten, die in den Bankbüchern von BJB gehalten werden und hauptsächlich dem Zinsrisiko, dem Währungsrisiko, dem Risiko der Kreditspreads und dem Aktienrisiko ausgesetzt sind.

The total assets under management of BJB (including double counting for assets with a discretionary mandate assets and other under management) amounted to 385,341 million CHF as at 31 December 2021. Accordingly, BJB's results of operation depend, to a significant extent, on factors such as the returns realized by its clients on their investments as well as its ability to attract new money inflows. Weak investment performance in the financial markets, will negatively affect the value of the assets BJB manages for its clients and may lead to a decline in BJB's revenues and profitability. In addition, clients experiencing lower than expected returns on investments offered or recommended by BJB relative to investment solutions offered by its competitors, could lead to an asset outflow.

Furthermore, BJB is exposed to fluctuations in foreign exchange rates against CHF, which is BJB's reporting currency for consolidated financial statements and regulatory capital reporting. The mismatch of the currency split between income (dominated by USD, through the domination of client's USD assets) and expenses (dominated by CHF, being a Swiss centred bank) may lead to reductions of profitability and the ability to reach the aspired profitability.

As BJB is specialised in wealth management, the realization of the non-trading market risk could have a material adverse effect on BJB's results of operations.

2.3 Reputational risk

BJB is exposed to reputational risk. Reputational risk describes the risk that the reputation BJB has with its stakeholders (including regulators, shareholders, clients, employees and the general public) deteriorates and the trust in its franchise and brand value is negatively influenced.

BJB's reputation may deteriorate due to cases in which stakeholders' perception of BJB differs negatively from BJB's actual conduct performance and business practice. Negative publicity about BJB's business practices can involve any aspect of its operations, but usually relates to topics around business ethics and integrity, or the quality of products and services which could result from:

Das von BJB verwaltete Gesamtvermögen (einschließlich Doppelzählungen für Vermögen mit Verwaltungsmandat und andere verwaltete Vermögen) belief sich am 31. Dezember 2021 auf 385.341 Millionen CHF. Dementsprechend, hängt die Ertrags- und Finanzlage der BJB zu einem wesentlichen Teil von Faktoren ab, wie die Rendite, welche ihre Kunden auf ihren Anlagen erzielt haben und der Fähigkeit neue Kundengelder anzuziehen. Schwache Anlageergebnisse auf den Finanzmärkten den Wert der Vermögen negativ beeinflussen, welche die BJB für ihre Kunden verwaltet und könnten zu einer Beeinträchtigung des Ertrages und der Profitabilität der BJB führen. Zusätzlich könnte der Umstand, dass Kunden auf von der BJB empfohlenen Anlagen im Vergleich zu Anlageprodukten der Konkurrenz, eine schwächere Rendite als erwartet erzielen, zu Vermögensabflüssen führen.

Darüber hinaus ist BJB Wechselkursschwankungen gegenüber dem CHF ausgesetzt. CHF ist für BJB im Rahmen der konsolidierten Finanzberichterstattung und der aufsichtsrechtlichen Kapitalfinanzberichterstattung massgeblich. Die Inkongruenz des Währungssplit zwischen Erträgen (hauptsächlich in USD, aufgrund der hohen Anzahl Vermögenswerte von Kunden, die auf USD lauten) und Aufwendungen (hauptsächlich CHF, da es sich um eine in der Schweiz ansässige Bank handelt) kann zu einer Verringerung der Rentabilität und der Fähigkeit, die angestrebte Rentabilität zu erreichen, führen.

Da BJB sich auf die Vermögensverwaltung spezialisiert hat, kann die Realisierung des Marktrisikos ohne Handelsaktivitäten zu Verlusten führen, und könnte eine wesentlich nachteilige Auswirkung auf die Ertragslage von BJB haben.

2.3 Reputationsrisiko

Die BJB ist dem Reputationsrisiko ausgesetzt. Das Reputationsrisiko beschreibt das Risiko, dass sich das Ansehen von BJB bei seinen Stakeholdern (einschließlich Aufsichtsbehörden, Aktionären, Kunden, Mitarbeitern und der allgemeinen Öffentlichkeit) verschlechtert und das Vertrauen in sein Franchise und seinen Markenwert negativ beeinflusst wird.

BJB's Reputation kann sich dadurch verschlechtern, dass die Wahrnehmung von BJB durch die Interessengruppen negativ von der tatsächlichen Leistungsfähigkeit und der Geschäftspraxis abweicht. Eine negative Publizität zu den Geschäftspraktiken der BJB kann jeden Aspekt ihrer Tätigkeit betreffen, bezieht sich aber in der Regel auf Themen der Geschäftsethik

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- misconduct of BJB's employees, existing or newly acquired clients, agents or third-party distributors;
- allegations that BJB does not fully comply with regulatory requirements or anti-money laundering rules;
- failure in BJB's IT system, loss or theft of clients' data or confidential information, failure in BJB's risk management or internal control procedures; and
- investments or financial products BJB recommends not performing as expected.

Any reputational damage to BJB could:

- cause existing clients to cease doing business with and to withdraw their assets from BJB;
- impair BJB's ability to attract new clients, or to expand its relationships with existing clients;
- prompt BJB to cease doing business with certain clients; and
- diminish BJB's ability to hire or retain employees.

The capability to retain existing clients or attract new clients of a bank specialised in wealth management, such as BJB, depends substantially on the confidence of its clients. Therefore, BJB considers its reputation as the most important asset and the hardest one to re-establish in case of an unwanted deterioration.

The realisation of Reputational risk could therefore have a material adverse effect on BJB's business, results of operations and its prospects.

2.4 Pandemic Risk

In early March 2020, the World Health Organization declared COVID-19, a global pandemic. In the year 2021, the COVID-19 pandemic and governmental responses thereto have had, and continue to have, a significant impact on the global economic conditions, including:

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und Integrität oder die Qualität von Produkten und Dienstleistungen, die zurückzuführen sein könnten auf:

- Fehlverhalten von Mitarbeitern der BJB, Fehlverhalten bestehender oder neuer Kunden, Bevollmächtigten oder eines Vertriebspartners;
- Behauptungen, dass die BJB die aufsichtsrechtlichen Anforderungen oder die Regeln gegen Geldwäsche nicht umfassend beachte;
- Mängel des EDV-Systems der BJB, dem Verlust bzw. der Entwendung von Kundendaten oder vertraulichen Informationen, einem Versagen beim Risiko-Management der BJB oder interner Kontrollmassnahmen; und
- von BJB empfohlene Anlagen bzw. Finanzprodukte, die nicht die erwartete Rendite bringen.

Ein Reputationsschaden der BJB könnte:

- bestehende Kunden dazu veranlassen, keine weiteren Geschäfte mit der BJB zu tätigen oder ihr Vermögen bei der BJB abzuziehen;
- die Fähigkeit der BJB beeinträchtigen, neue Kunden anzuziehen bzw. Beziehungen mit bestehenden Kunden auszuweiten;
- die BJB dazu veranlassen, mit bestimmten Kunden keine Geschäfte mehr zu tätigen; und
- die Fähigkeit von BJB beeinträchtigen, neue Arbeitnehmer einzustellen bzw. bestehende Arbeitnehmer zu halten.

Die Fähigkeit bestehende Kunden zu halten bzw. neue Kunden anzuziehen hängt für eine auf die Vermögensverwaltung spezialisierte Bank, wie die BJB, massgeblich vom Vertrauen ihrer Kunden ab. Daher betrachtet BJB ihren Ruf als das wichtigste Gut und als das am schwersten wieder herzustellende im Falle einer unerwünschten Verschlechterung.

Die Verwirklichung des Reputationsrisikos könnte daher den Geschäftsbetrieb, die Ertragslage und die Aussichten der BJB wesentlich beeinträchtigen.

2.4 Pandemisches Risiko

Anfang März 2020 erklärte die Weltgesundheitsorganisation den Ausbruch von COVID-19 zur globalen Pandemie. Die COVID-19-Pandemie und die daraufhin ergriffenen Massnahmen der Regierungen hatten im Jahr 2021 und haben weiterhin wesentliche Auswirkungen auf die globale Wirtschaft, einschliesslich:

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- significant disruption and volatility in the financial markets;
- disruption of global supply chains in numerous industries; and
- sector-specific closures of businesses, leading to loss of revenues and increased unemployment.

Whilst a normalization of overall business operations can be observed in numerous jurisdictions, a renewed widespread COVID-19 outbreak, as occurred in late 2021, cannot be excluded, resulting in further adverse effects on the global economy. The continuation of these negative economic conditions could have the following adverse effects on BJB's businesses:

- a significant decrease in demand for products and services offered by BJB;
- a recognition of credit losses and an increase in balance sheet allowances for credit losses;
- a material decrease in the value of securities and other financial instruments which BJB holds or trades in;
- downgrade in BJB's credit ratings (see also "1.3 Risk of a rating downgrade" on page 5);
- liquidity and capital related constraints, *i.e.*, due to (i) an increase in risk-weighted assets caused by the financing of client activities or (ii) additional regulatory requirements; and
- the possibility that a significant number of BJB's employees are unable to work efficiently, namely due to illness, quarantines, governmental actions or other restrictions related to the COVID-19 pandemic or technical limitations restricting access to BJB's system from the home office when stay at home orders apply.

To date, BJB has not incurred substantial losses or a reduction of its business due to the COVID-19 pandemic. However, it is unprecedented in recent history and it still remains unclear how long the COVID-19 pandemic will last, the definitive mid-and long-term impacts of the COVID-19 pandemic on the business of BJB currently cannot be reliably foreseen.

The adverse effects of the COVID-19 pandemic could however, result in financial losses and, hence, materially

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- einer signifikante Beeinträchtigung und Volatilität in den Finanzmärkten;
- einer Beeinträchtigung der globalen Lieferketten in zahlreichen Industrien; und
- Sektor-spezifische Schließungen von Unternehmen, was zu Verlust von Umsätzen und steigender Arbeitslosigkeit führte.

Während in verschiedenen Jurisdiktionen eine Normalisierung des allgemeinen Geschäftsganges beobachtet werden kann, kann ein erneut weitreichender Ausbruch von COVID-19, wie Ende 2021 erfolgt ist, nicht ausgeschlossen werden, welcher zu weiteren nachteiligen Auswirkungen auf die globale Wirtschaft führt. Die Fortsetzung dieser nachteiligen wirtschaftlichen Auswirkungen kann die Geschäftstätigkeit der BJB wie folgt negativ beeinträchtigen:

- ein wesentlicher Rückgang der Nachfrage für die von der BJB angebotenen Produkte und Dienstleistungen;
- die Berücksichtigung von Verlusten im Kreditportfolio und eine Erhöhung der Wertberichtigungen für solche Verluste;
- eine wesentliche Abwertung des Werts von Wertpapieren und anderen Finanzinstrumenten, die von BJB gehalten oder gehandelt werden;
- Herabstufung der Ratings der BJB (siehe auch "1.3 Risiko einer Herabstufung des Ratings" auf Seite 5);
- Einschränkungen bei der Liquidität und beim Kapital aufgrund von (i) der Erhöhung der risikogewichteten Aktiva, verursacht durch die Finanzierung von Kundenaktivitäten oder (ii) zusätzliche regulatorische Anforderungen; und
- die Wahrscheinlichkeit, dass eine beträchtliche Zahl von BJB's Arbeitnehmern aufgrund von Krankheit, Quarantäne, staatlichen Maßnahmen oder anderen Beschränkungen in Bezug auf die COVID-19-Pandemie nicht effektiv arbeiten kann oder technische Einschränkungen, die den Zugang zu den Systemen von BJB vom Home-Office beschränken, während eine Home-Office Pflicht besteht.

Bis heute resultierte die COVID-19 Pandemie nicht in wesentlichen Verlusten oder einem Rückgang des Geschäfts der BJB. Da es jedoch in der jüngeren Geschichte beisspiellos ist und nach wie vor ungeklärt bleibt, wie lange die COVID-19-Pandemie andauern wird, können die endgültigen mittel- und langfristigen Auswirkungen der COVID-19-Pandemie auf die Geschäftstätigkeit der BJB derzeit nicht verlässlich vorhergesehen werden.

Die nachteiligen Auswirkungen der COVID-19-Pandemie können zu finanziellen Verlusten führen und

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adversely affect BJB's results of operations and financial condition.

2.5 People management risk

People management risk refers to processes and activities of Human Resources that are not adequately designed, set up or performed and therefore leading to an insufficient management of the lifecycle of an employee. Also comprised is the risk of line management not adequately carrying out its people management responsibility and therefore leading to an insufficient performance of supervision and leadership obligations.

BJB's business model relies heavily on experienced client relationship managers attracting and retaining clients. As a result, BJB's ability to recruit and retain experienced relationship managers, and, in turn, the relationship managers' ability to attract and retain clients, is central to BJB's ability to maintain and increase its assets under management and revenues.

Individual relationship managers often maintain strong personal relationships with BJB's clients that are based on the clients' trust in the relationship manager. Accordingly, any loss of client relationship managers could cause a loss of clients. Furthermore, the market for experienced relationship managers and other professionals is competitive, particularly in Asia where growth in private banking has been high and recruitment is often based on hiring relationship managers and other professionals from competitors. In this regard, Asia and other countries contributed 876 million CHF to the total operating income of BJB of 3,055 million CHF in the financial year 2021. The employment agreements BJB has with its employees, including key client relationship managers, generally do not contain non-compete clauses, and therefore, key employees are legally not prevented from leaving BJB to engage in competing business activities.

Therefore, BJB's ability to offer competitive employment terms, including compensation at all times is key to the retention of client relationship managers.

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sich wesentlich nachteilig auf die Ertragslage und die Finanzlage der BJB auswirken.

2.5 Risiko im Zusammenhang mit dem Personalmanagement

Risiken im Zusammenhang mit Personalmanagement bezieht sich auf Prozesse und Aktivitäten der Personalabteilung, die nicht angemessen konzipiert, eingerichtet oder durchgeführt werden und daher zu einem unzureichenden Management des Lebenszyklus eines Mitarbeiters führen. Dazu gehört auch das Risiko, dass das Linienmanagement seiner Verantwortung für das Personalmanagement nicht angemessen nachkommt und deshalb die Aufsichts- und Führungspflichten nicht ausreichend erfüllt.

Das Geschäftsmodell der BJB beruht stark auf der Fähigkeit erfahrener Kundenbetreuer, Kunden zu gewinnen und zu behalten. Daher ist die Fähigkeit von BJB, erfahrene Kundenberater für sich zu gewinnen und zu halten, sowie die Fähigkeit der Kundenberater, Kunden zu gewinnen und zu halten, Zentral für die Fähigkeit von BJB, um das verwaltete Vermögen und die Einnahmen aufrechtzuerhalten und auszubauen.

Einzelne Kundenberater pflegen oft enge persönliche Beziehungen zu den Kunden der BJB, die auf dem persönlichen Vertrauen des Kunden in Kundenberater beruhen. Demzufolge könnte der Verlust von Kundenberater den Verlust von Kunden nach sich ziehen und damit zur Minderung des bei BJB verwalteten Vermögens führen. Des Weiteren ist der Markt für erfahrene Kundenberater und anderer Experten sehr kompetitiv, insbesondere in Asien, wo das Privatbankgeschäft stark gewachsen ist, und die Rekrutierung auf der Abwerbung von Kundenberater und anderem Fachpersonal von Wettbewerbern beruht. In dieser Hinsicht trugen Asien und andere Länder 876 Millionen CHF zum Gesamtbetriebsergebnis von BJB von 3.055 Millionen CHF im Finanzjahr 2021 bei. Die Arbeitsverträge der BJB mit ihren Mitarbeitern einschliesslich wichtiger Kundenberater enthalten grundsätzlich keine Konkurrenzverbote beim Ausscheiden aus der BJB. Mitarbeiter der BJB unterliegen daher keinen rechtlichen Hindernissen, wenn sie die BJB verlassen, um einer konkurrierenden Tätigkeit nachzugehen.

Daher ist die Fähigkeit von BJB, jederzeit wettbewerbsfähige Bedingungen, einschliesslich der Vergütung, anzubieten, wesentlich, um wichtige Kundenberater zu halten.

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Any failure to recruit or retain suitably experienced relationship managers and other professionals could adversely affect BJB's competitive position and limit BJB's ability to grow its assets under management and negatively impact its profitability.

2.6 Strategic risk

BJB defines strategic risk as the risk of employing a strategy that fails to secure the adequate returns available from the capital employed in the long run.

BJB pursues a growth strategy and is exposed to strategic risk in the pursuit of its growth strategy. It may arise from strategic decisions such as joint ventures, mergers and acquisitions, the pricing strategy and strategic recruiting or the lack of making timely decisions. Such strategic decisions relate to:

- the products and services that BJB offers;
- the geographies in which it operates;
- the types of clients that it serves; and
- the methods and distribution channels by which it offers products and services.

On 3 February 2020 the Julius Baer Group presented an updated strategy pursuant to which Julius Baer Group aims to enhance its wealth management business. To achieve this, the Julius Baer Group aims to substantially modernise its organization and sharpen its value proposition for high net worth and ultra-high net-worth clients. Investments in technology to power human advice will be accelerated and will be increased. To implement its strategy, the Julius Baer Group started a three-year programme to enhance its client value, improve its productivity and efficiency, and strengthen its risk culture and teamwork. During the year 2021, BJB took further steps to implement the updated strategy.

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Sollte es BJB nicht gelingen, entsprechend erfahrene Kundenberater und andere Fachkräfte zu rekrutieren oder zu halten, könnte dies die Wettbewerbsposition der BJB beeinträchtigen und die Fähigkeit von BJB, die verwalteten Kundenvermögen zu steigern, sowie die Rentabilität negativ beeinflussen.

2.6 Strategisches Risiko

BJB definiert strategisches Risiko als das Risiko der Anwendung einer Strategie, die nicht in der Lage ist, die angemessenen Erträge aus dem eingesetzten Kapital langfristig zu sichern.

BJB verfolgt eine Wachstumsstrategie und ist bei der Verfolgung seiner Wachstumsstrategie einem strategischen Risiko ausgesetzt. Es kann sich aus strategischen Entscheidungen wie Joint Ventures, Fusionen und Übernahmen, der Preisstrategie und der strategischen Rekrutierung oder aus dem Fehlen rechtzeitiger Entscheidungen ergeben. Solche strategischen Entscheidungen beziehen sich insbesondere auf:

- die Produkte und Dienstleistungen, welche die BJB anbietet;
- die Jurisdiktionen, in denen die BJB operativ tätig ist;
- die Art von Kunden, welche die BJB bedient; und
- die Methoden und Distributionswege, basierend auf welchen die BJB ihre Produkte und Dienstleistungen anbietet.

Am 3. Februar 2020 hat die Julius Bär Gruppe eine aktualisierte Strategie veröffentlicht, wonach die Julius Bär Gruppe sein Vermögensverwaltungsgeschäft verbessern will. Um dies zu erreichen, strebt die Julius Bär Gruppe eine substanzielle Modernisierung ihrer Organisation und eine Schärfung ihres Wertversprechens für vermögende und sehr vermögende Kunden an. Die Investitionen in Technologie zur Unterstützung der persönlichen Beratung wird beschleunigt und erhöht. Um Ihre Strategie umzusetzen, hat die Julius Bär Gruppe ein 3 Jahres Programm gestartet um ihren Kundenwert zu steigern, ihre Produktivität und Effizienz zu verbessern und ihre Risikokultur und Teamarbeit zu stärken. Die BJB hat im Jahr 2021 weitere erfolgreiche Bestrebungen unternommen, um die aktualisierte Strategie umzusetzen.

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In this regard, BJB's objective is to achieve a growth in lombard lending commensurate with the evolution of its wealth management business.

Part of the growth strategy of BJB is also the acquisition of other domestic or foreign banks, asset managers or any other operating companies (or business divisions thereof) in the financial industry. To this end, BJB is endeavouring to strengthen its private banking position in Switzerland and to selectively develop its private banking activities abroad. Such acquisitions of companies, business and respective divisions are subject to risks in relation to the value of the acquired company or business segment, the integration of the acquired companies or business segments and synergy potentials related to the respective acquisition may not or not completely be realised.

The realisation of strategic risks can have an adverse effect on the results of operations of BJB.

2.7 Business risk

BJB defines business risk as the risk arising from a bank's long-term business strategy of pure private banking. It entails the risk of a bank not being able to keep up with changing competition dynamics and/or an unfavourable fiscal, political or regulatory environment. The financial services industry has been subject to substantially increased regulation as a result of the global financial crisis in 2007/08 and this trend is expected to continue in the future. Because BJB operates in a highly regulated industry and its operations are regulated and supervised by regulatory authorities in each jurisdiction in which it conducts business, BJB's business revenues and profitability depends on the regulatory environment in each market in which it operates. Therefore, governmental policies, which are beyond BJB's control, could, require BJB to change its strategy, prevent the continuation of current lines of operations, increase cost of compliance, restrict the type or volume of transactions which may be entered into and/or limit rates and fees that BJB may charge. Furthermore, as a result of the cross-border nature of the BJB's business, it is particularly sensitive to barriers restricting cross-border market access, including, efforts in the EU to harmonize the regime for third-country firms to access the European market and similar efforts in a number of other jurisdictions.

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BJB's Ziel ist, ein Wachstum der Lombardkredite zu erreichen, das der Entwicklung ihres Vermögensverwaltungsgeschäfts entspricht.

Bestandteil der Wachstumsstrategie der BJB ist auch die Akquisition von anderen in- oder ausländischen Banken, Vermögensverwaltern oder sonstigen im Finanzbereich tätigen Unternehmen (oder deren Geschäftsbereiche). Zu diesem Zweck ist BJB bestrebt ihre Private-Banking-Position in der Schweiz zu stärken und ihre Private-Banking-Aktivitäten im Ausland gezielt auszubauen. Solche Akquisitionen von Unternehmen, Geschäften und den jeweiligen Geschäftsbereichen unterliegen Risiken in Bezug auf den Wert des erworbenen Unternehmens oder Geschäftsbereichs, die Integration des erworbenen Unternehmens oder Geschäftsbereichs und Synergie-Potenziale im Zusammenhang mit der jeweiligen Übernahme können nicht oder nicht vollständig realisiert werden.

Die Realisierung strategischer Risiken kann sich nachteilig auf die Ertragslage der BJB auswirken.

2.7 Geschäftsrisiko

BJB definiert das Geschäftsrisiko als das Risiko, das sich aus der langfristigen Geschäftsstrategie des reinen Private Banking einer Bank ergibt. Sie trägt das Risiko, dass eine Bank nicht in der Lage ist, mit der sich ändernden Wettbewerbsdynamik und/oder einem ungünstigen steuerlichen, politischen oder regulatorischen Umfeld Schritt zu halten. Die Finanzdienstleistungsbranche war infolge der globalen Finanzkrise 2007/08 Gegenstand einer erheblich verstärkten Regulierung, und es ist zu erwarten, dass sich dieser Trend in Zukunft fortsetzen wird. Da BJB in einer stark regulierten Branche tätig ist und ihre Geschäftstätigkeit von den Aufsichtsbehörden in jeder Jurisdiktion, in der sie Geschäfte tätigt, reguliert und beaufsichtigt wird, hängen die Einnahmen und die Rentabilität von BJB von den regulatorischen Rahmenbedingungen in jedem Markt in dem sie tätig ist ab. Daher könnten staatliche Maßnahmen, die außerhalb des Einflussbereichs von BJB liegen, BJB zu einer Änderung ihrer Strategie zwingen, die Fortführung derzeitiger Geschäftsbereiche verhindern, die Kosten für die Einhaltung der Vorschriften erhöhen, die Art oder das Volumen der Transaktionen, die abgeschlossen werden dürfen, einschränken und/oder die Gebühren, die BJB erheben darf, begrenzen. Darüber hinaus ist die BJB aufgrund des grenzüberschreitenden Charakters ihrer Geschäftstätigkeit besonders empfindlich gegenüber Massnahmen, die den grenzüberschreitenden Marktzugang einschränken, einschließlich der Bestrebungen in der EU, die Regelungen für den Zugang von Unternehmen aus

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BJB is exposed to additional business risks among other through cost pressure due to the size and complexity of its business, loss of relationship managers and other revenue generating staff, serious market downturn, top margin pressure due to increased pricing transparency and competition.

BJB expects that this risk will continue to be intense, or even accelerate. As a private banking group operating internationally with a global client base, BJB is exposed to business risk as a result of changing conditions in the global financial markets.

The financial services industry in which BJB is active is highly competitive. BJB is currently present in around 50 locations worldwide and engages exclusively in private banking activities primarily in Switzerland, Europe, Asia, the Middle East and Latin America. BJB's wealth management business is characterised by increasing competition and accelerating consolidation in private banking in Switzerland. In addition, there has been a growth in competition between international financial centres such as London, Singapore and Switzerland.

New competitors in the financial services industry continue to emerge. For example, technological advances have allowed financial institutions and other companies to provide electronic and internet-based financial solutions, including electronic securities trading, payments processing and online automated algorithmic-based investment advice. New technologies have required and could require BJB to spend more to modify or adapt its products to attract and retain clients or to match products and services offered by its competitors, including technology companies and adversely affect BJB's business operations.

I. RISIKOFAKTOREN

Drittstaaten zum europäischen Markt zu harmonisieren, und ähnlicher Bestrebungen in einer Reihe anderer Rechtsordnungen.

BJB ist weiteren Geschäftsrisiken ausgesetzt, u.a. durch Kostendruck aufgrund der Größe und Komplexität des Geschäfts, Verlust von Kundenbetreuern und anderen Ertrag generierenden Mitarbeitern, schwerwiegenden Marktabschwung, Druck auf die Gewinnspannen durch erhöhte Preistransparenz und Wettbewerb.

BJB rechnet damit, dass dieses Risiko sich weiter intensivieren oder sogar beschleunigen wird. Als international tätige Private-Banking-Gruppe mit einem weltweiten Kundenstamm ist die BJB einem Geschäftsrisiko ausgesetzt, das sich aus den veränderten Bedingungen an den globalen Finanzmärkten ergibt.

Die Finanzdienstleistungsbranche, in der BJB tätig ist, ist sehr wettbewerbsintensiv. BJB ist derzeit an rund 50 Standorten weltweit präsent und betreibt ausschließlich Private-Banking-Aktivitäten vor allem in der Schweiz, in Europa, Asien, im Nahen Osten und in Lateinamerika. BJB's Vermögensverwaltungsgeschäft ist in der Schweiz durch zunehmenden Wettbewerb und eine beschleunigte Konsolidierung im Private Banking gekennzeichnet. Darüber hinaus hat der Wettbewerb zwischen internationalen Finanzzentren wie London, Singapur und der Schweiz zugenommen.

Es tauchen vermehrt neue Wettbewerber in der Finanzdienstleistungsindustrie auf. Die technologische Entwicklung erlaubt es bspw. Finanzinstituten und anderen Unternehmen internet-basierte Lösungen anzubieten, insbesondere Online-Handel mit Effekten, Zahlungsabwicklung und Online automatisierte und auf Algorithmen beruhende Anlageberatung. Neue Technologien erfordern aktuell und künftig von der BJB die Tüchtigkeit von Investitionen zur Anpassung ihrer Produkte, um neue Kunden anzuziehen und bestehende Kunden zu halten oder um ihre Produkte den Dienstleistungen ihrer Wettbewerber, insbesondere Technologiefirmen, anzupassen. Ein Versäumnis seitens der BJB auf die technologischen Entwicklungen zu reagieren, könnte zu einer Beeinträchtigung der Geschäftstätigkeit führen.

I. RISK FACTORS

Ongoing or increased competition may put pressure on the pricing for BJB's products and services or may cause BJB to lose market share. This competition may be in respect of quality and variety of products and services offered, transaction execution, innovation, reputation and price. Increased competition also may require BJB to make additional capital investments in its businesses, or to extend more of its capital on behalf of its clients in order to remain competitive.

Increased competition in the financial services industry and the failure of BJB to adequately react to the changed competition environment could therefore adversely affect BJB's profitability.

2.8 Risks related to the Julius Baer Group

BJB is controlled by its sole shareholder, Julius Baer Group Ltd and depends on Julius Baer Group Ltd. and/or other Julius Baer Group companies, inter alia, for certain services and intellectual property. Further, BJB has been provided by Julius Baer Group Ltd. with regulatory and other debt capital, which Julius Baer Group Ltd. has raised on the capital market by issuing various bonds.

Should Julius Baer Group Ltd. cease to provide such services or funding, BJB may be unable to obtain alternative funding on the capital market or may be unable to acquire such discontinued services from third parties on short notice.

The realisation of the risks relating to BJB's dependency on the Julius Baer Group may therefore have a material adverse effect on BJB's results of operations, capitalisation and financial condition.

I. RISIKOFAKTOREN

Ein anhaltender oder erhöhter Wettbewerb könnte zu einem Preisdruck hinsichtlich der von der BJB angebotenen Dienstleistungen und Produkte und zu einem Verlust von Marktanteilen führen. Der Wettbewerb kann sich auf die Qualität und Auswahl der angebotenen Produkte und Dienstleistungen, die Transaktionsabwicklung, Innovation, Reputation und den Preis beziehen. Ein erhöhter Wettbewerb könnte auch zusätzliche Investitionen durch die BJB in ihr Geschäft erfordern oder zu einer Notwendigkeit führen, ihren Kunden mehr Kapital zur Verfügung zu stellen, um zu gewährleisten, dass die BJB wettbewerbsfähig bleibt.

Ein erhöhter Wettbewerb in der Finanzdienstleistungsindustrie und ein Versäumnis der BJB adäquat auf das neue Wettbewerbsumfeld zu reagieren könnte daher die Profitabilität der BJB negativ beeinträchtigen.

2.8 Risiken in Bezug auf die Julius Bär Gruppe

BJB wird von ihrem Alleinaktionär, der Julius Bär Gruppe AG, kontrolliert und ist von der Julius Bär Gruppe AG und/oder anderen Gesellschaften der Julius Bär Gruppe abhängig, unter anderem für bestimmte Dienstleistungen und geistiges Eigentum. Weiter wurde BJB von der Julius Bär Gruppe AG mit regulatorischem und anderem Fremdkapital ausgestattet, das die Julius Bär Gruppe AG am Kapitalmarkt mittels Ausgabe verschiedener Anleihen aufgenommen hat.

Sollte die Julius Bär Gruppe AG diese Dienstleistungen oder Finanzierungen nicht mehr erbringen, könnte BJB nicht in der Lage sein, sich am Kapitalmarkt alternativ zu finanzieren oder könnte nicht in der Lage sein, die eingestellten Dienstleistungen kurzfristig von Dritten zu erwerben.

Die Realisierung der Risiken in Bezug auf die Abhängigkeit der BJB von der Julius Bär Gruppe könnte die Ertragslage, die Kapitalisierung und die Finanzlage der BJB wesentlich beeinträchtigen.

2.9 Risks related to client concentration

As an institution engaged primarily in private banking, BJB is exposed to client concentration risk. A significant portion of its customers are high net worth individuals. Those individuals and their households have, to a certain degree, similar socio-economic characteristics and they are likewise exposed to comparable macroeconomic and regulatory risks which cannot be influenced by BJB. Also, the geographical mix of BJB's client base may not be sufficiently diversified. In addition, a limited number of ultra-high net worth individuals will continue to be significant to BJB in terms of assets under management. Due to the client concentration inherent to BJB's business model a substantial part of its client base may be affected by the same macroeconomic developments or the realization of identical regulatory risks.

BJB's failure to diversify its client base from a geographical, social and economic perspective may increase the client concentration risk.

BJB's inability to retain these clients, in case of macroeconomic and regulatory developments affecting a substantial part of its client base, may lead to a decrease in its assets under management. The realization of the client concentration risk may therefore adversely affect BJB's results of operations and financial condition.

3. Legal and regulatory risks

In this risk category, specific legal and regulatory risks are described. The most material risks in this category are "Compliance risk" "Risk related to financial crime", "Business conduct risk" and "Market conduct risk".

3.1 Compliance risk

Compliance risk is the risk of financial loss or damage resulting from a breach of applicable laws and regulations or the non-adherence to internal or external rules and regulations or market practice.

2.9 Risiken in Bezug auf die Kundenkonzentration

Als Institut, das hauptsächlich im Private Banking tätig ist, ist BJB einem Kundenkonzentrationsrisiko ausgesetzt. Ein erheblicher Teil ihrer Kunden sind vermögende Privatpersonen. Diese Personen und ihre Haushalte weisen bis zu einem gewissen Grad ähnliche sozioökonomische Merkmale auf und sind ebenfalls vergleichbaren makroökonomischen und regulatorischen Risiken ausgesetzt, die nicht von der BJB beeinflusst werden können. Auch die geografische Zusammensetzung des Kundenstamms von BJB ist möglicherweise nicht ausreichend diversifiziert. Darüber hinaus wird eine begrenzte Anzahl von sehr vermögenden Privatkunden für BJB im Hinblick auf das verwaltete Vermögen weiterhin von Bedeutung sein. Aufgrund der dem Geschäftsmodell der BJB inhärenten Kundenkonzentration kann es sein, dass ein wesentlicher Anteil des Kundenstamms der BJB von den gleichen makroökonomischen Entwicklungen oder der Realisierung von identischen regulatorischen Risiken betroffen ist.

Soweit es der BJB nicht gelingt, ihren Kundenstamm in geografischer, sozialer und wirtschaftlicher Hinsicht zu diversifizieren, könnte sich das Kundenkonzentrationsrisiko erhöhen.

Sollte BJB im Falle von makroökonomischen und regulatorischen Entwicklungen, die einen wesentlichen Teil ihres Kundenstammes betreffen, nicht in der Lage sein, diese Kunden zu halten, könnte dies zu einer Verringerung des verwalteten Vermögens führen. Eine Realisierung des Kundenkonzentrationsrisikos, könnte daher die Ertrags- und Finanzlage der BJB negativ beeinflussen.

3. Rechtliche und regulatorische Risiken

In dieser Risikokategorie sind die spezifischen rechtlichen und regulatorischen Risiken der BJB beschrieben. Die wesentlichsten Risiken in dieser Kategorie sind "Compliance Risiko", "Risiko im Zusammenhang mit Finanzkriminalität", "Risiko des Geschäftsbetriebs" und "Marktverhaltensrisiko".

3.1 Compliance Risiko

Das Compliance-Risiko ist das Risiko finanzieller Verluste oder Schäden, die sich aus einem Verstoß gegen geltende Gesetze und Vorschriften oder aus der Nichteinhaltung interner oder externer Regeln und Vorschriften oder der Marktpraxis ergeben.

I. RISK FACTORS

BJB is subject to compliance risks in particular by providing services to clients and counterparties, by receiving services from third parties and by operating in a regulated industry.

BJB is a financial services firm and has operations in various jurisdictions, in particular in Switzerland, Europe, the Middle East, Asia and Latin America. Consequently, it must comply with the laws and regulations that apply to its business in all of the jurisdictions in which it does business and its operations are subject to supervision by regulatory authorities in multiple jurisdictions. Potential non-compliance with legal and regulatory requirements may result in civil, criminal or regulatory consequences for BJB. The loss or damage in such circumstances may take the form of fines and/or disgorgement imposed by regulatory and/or criminal authorities or other sanctions such as restrictions on business activities, the imposition of mandatory remedial measures (including monitoring) or even the loss or suspension of supervisory licenses.

The realisation of this risk may result in a decline in assets under management and increased costs and hence, materially adversely affect BJB's results of operations and profitability.

3.2 Risk related to financial crime

As a globally acting wealth manager, BJB has an appetite to engage in controlled business with higher risk clients (including politically exposed persons (PEPs)) and clients from sensitive industries and commercial clients. Therefore, BJB is exposed to the risk not complying with Anti-Money Laundering (AML), Counter Financing of Terrorism (CFT), and applicable anti-corruption / bribery laws and regulations as well as sanctions and embargos (e.g. SECO, OFAC, UN, EU and other local applicable sanctions).

Any non-compliance with the applicable laws and regulations may lead to significant reputational and/or financial damage for BJB including fines and penalties, costs related to remediation and external enforcement actions as well as imposed business restrictions.

I. RISIKOFAKTOREN

Insbesondere ist BJB Compliance Risiken ausgesetzt, die bei der Erbringung von Dienstleistungen für Kunden und Gegenparteien, durch den Erhalt von Dienstleistungen von Dritten und durch die Tätigkeit in einer regulierten Branche entstehen.

Die BJB ist ein Finanzdienstleistungsunternehmen, welches in verschiedenen Jurisdiktionen, insbesondere der Schweiz, Mittleren Osten, Europa, Asien und Lateinamerika, operativ tätig ist. Die BJB muss infolgedessen die Gesetze und regulatorischen Anforderungen in sämtlichen Jurisdiktionen einhalten, in denen sie eine operative Tätigkeit ausübt und die jeweiligen Geschäftseinheiten unterliegen der Aufsicht von Behörden in verschiedenen Jurisdiktionen. Eine mögliche Missachtung dieser aufsichtsrechtlichen Anforderungen könnte zu zivilrechtlichen, strafrechtlichen oder behördliche Konsequenzen für BJB führen. Der Verlust oder Schaden kann unter solchen Umständen in Form von Geldstrafen und/oder Geldbußen durch Regulierungs- und/oder Strafbehörden oder anderen Sanktionen wie Beschränkungen der Geschäftstätigkeit, der Verhängung von obligatorischen Abhilfemaßnahmen (einschließlich Überwachung) oder sogar dem Verlust oder die Aussetzung von Aufsichtslizenzen erfolgen.

Das Risiko könnte zu einer Reduktion der verwalteten Vermögen und höheren Kosten führen und demnach die Ertragslage und Profitabilität der BJB wesentlich beeinträchtigen.

3.2 Risiko im Zusammenhang mit Finanzkriminalität

Als ein global agierender Vermögensverwalter geht die BJB kontrollierte Geschäfte mit Kunden mit höherem Risiko (einschließlich politisch exponierter Personen (PEPs)) und Kunden aus sensiblen Branchen und gewerblichen Kunden ein. Daher ist BJB dem Risiko ausgesetzt, die Anti-Geldwäsche (AML), die Bekämpfung der Finanzierung des Terrorismus (CFT) und die geltenden Gesetze und Vorschriften für Korruption/Bestechung sowie Sanktionen und Embargos (z.B. SECO, OFAC, UN, EU und andere lokal geltende Sanktionen) nicht einzuhalten.

Eine Nichteinhaltung der anwendbaren Gesetze und der regulatorischen Anforderungen, kann für BJB zu erheblichen Reputationsschäden und/oder finanziellen Schäden führen, einschließlich Bußgelder und Strafen, Kosten im Zusammenhang mit Abhilfemaßnahmen und externen Durchsetzungsmaßnahmen sowie auferlegten Geschäftsbeschränkungen.

I. RISK FACTORS

Possible sanctions include:

- the revocation of licences to operate certain businesses,
- the suspension or expulsion from a particular jurisdiction or market of any of BJB's business organizations or their key personnel,
- the imposition or restrictions on certain business activities, or
- the imposition of fines and other administrative sanctions on BJB and its employees.

This measures described above could result in a significant decline in assets under management and increase of costs for complying with laws and regulations and could materially adversely affect BJB's financial condition and results of operations.

3.3 Business conduct risk

BJB defines business conduct risk as the risk that cross-border activities are in breach of the applicable local regulations, laws and policy requirements or similar requirements in the relevant country, as defined in internal policies, guidelines and procedures (e.g. country manuals). The business conduct risk also entails the risk of failures to adhere to the applicable regulations relating to the development and structuring, documentation distribution and client suitability of new products and services.

The business conduct risk includes potential conflicts of interest, resulting namely from the improper receipt of inducements and retrocessions.

Further, as BJB's cross-border activities may result in breach of applicable local regulations, laws and policy requirements on cross-border business or similar requirements in the relevant country, as defined in internal policies, guidelines and procedures (e.g. country manuals).

Breaches of foreign law (non-compliant cross-border conduct) have resulted in high fines for BJB in the past. Client reimbursement risk in case client contracts are considered null and void (rescinding of contract) due to violation of foreign law.

Further, severe breaches of foreign law (and consequently serious breaches of Swiss supervisory law) can in severe cases lead to a revocation of the banking license by FINMA. In case of revocation of the banking license, clients can no longer be served and the

I. RISIKOFAKTOREN

Mögliche Sanktionen umfassen:

- den Entzug der Bewilligung zur Ausübung bestimmter Geschäftstätigkeiten;
- den vorläufigen Ausschluss bzw. den Verweis der BJB bzw. wichtigen Mitarbeitern aus einem bestimmten Land oder einem Markt;
- die Anordnung von Einschränkungen hinsichtlich der Ausübung bestimmter Geschäftstätigkeiten; und
- die Verfügung von Bussgeldern oder anderer administrativer Sanktionen gegen die BJB oder deren Mitarbeiter.

Diese oben beschriebenen Maßnahmen könnten zu einer substantiellen Reduktion der verwalteten Vermögen und zu erhöhten Kosten für die Einhaltung der Gesetze führen und könnten somit die Finanz- und Ertragslage der BJB wesentlich beeinträchtigen.

3.3 Risiko des Geschäftsbetriebs

BJB definiert das Risiko des Geschäftsbetriebs als das Risiko, dass grenzüberschreitende Aktivitäten gegen geltende lokale Vorschriften, Gesetze und politische Anforderungen oder ähnliche Anforderungen im jeweiligen Land verstoßen, wie sie in internen Grundsätzen, Richtlinien und Verfahren (z.B. Länderhandbüchern) definiert sind. Das Risiko des Geschäftsbetriebs beinhaltet auch das Risiko der Nichteinhaltung der anwendbaren Vorschriften in Bezug auf die Entwicklung und Strukturierung, die Verteilung der Dokumentation und die Kundeneignung neuer Produkte und Dienstleistungen.

Das Risiko aus Geschäftsverhalten umfasst potenzielle Interessenkonflikte, die durch den unsachgemäßen Erhalt von Zuwendungen und Retrozessionen entstehen.

Darüber hinaus könnten die grenzüberschreitenden Aktivitäten von BJB zu Verstößen gegen geltende örtliche Vorschriften, Gesetze und politische Anforderungen an grenzüberschreitende Geschäfte oder ähnliche Anforderungen im jeweiligen Land führen, wie sie in internen Richtlinien und Verfahren (z.B. Länderhandbüchern) definiert sind.

Verstöße gegen ausländisches Recht (nicht konformes grenzüberschreitendes Verhalten) haben in der Vergangenheit zu hohen Geldstrafen für BJB geführt. Rückerstattungsrisiko für den Fall, dass Kundenverträge aufgrund von Verstößen gegen ausländisches Recht als null und nichtig betrachtet werden (Vertragsauflösung).

Zudem können schwere Verletzungen ausländischen Rechts (und damit auch schwere Verletzungen des schweizerischen Aufsichtsrechts) im schlimmsten Fall zu einem Entzug der Banklizenz durch die FINMA führen. Im Falle eines Entzugs der Banklizenz können

bank would be liquidated, including the closure of client accounts. Breaches can also result in an enforcement action of the regulator with public reprimand. Enforcement proceedings made public by regulators may result in major negative press coverage and lead to negative reactions from stakeholders (see reputation risk).

This could lead to a decrease of assets under management and could materially adversely affect BJB's financial condition and result of operations.

3.4 Market conduct risk

BJB defines market conduct risk as risk of the BJB's involvement in several types of conduct (such as insider trading, market manipulation) that may constitute market abuse with the ultimate impacts on the integrity and proper functioning of markets, of non-adherence to various financial market rules and regulations, such as financial market infrastructure regulation, exchange rules, internal product specific restrictions and market specific regulations. Due to the wide range of regulations and topics covered by this category, the risks for BJB are equally manifold and can reach from administrative penalties and high imposed fines to a loss of exchange admission or license.

Non-adherence to various financial market rules and regulations, such as financial market infrastructure regulation, exchange rules, internal product specific restrictions and market specific regulations, may result in fines and/or disgorgement imposed by regulatory and/or criminal authorities or even the loss of license.

This could result in a material loss for BJB and could have a material adverse effect on BJB's financial condition and result of operations.

3.5 Litigation risk

BJB defines litigation risk as risk of undue financial losses, regulatory/criminal sanctions and reputational exposure resulting out of inadequate management, risk assessment, supervision and reporting of litigation, investigation cases and client complaints.

Kunden nicht mehr länger betreut werden und die Bank würde liquidiert werden, einschließlich der Schließung von Kundenkonten. Verstöße können auch zu einer Vollzugshandlung der Aufsichtsbehörde mit öffentlicher Rüge führen. Wurden die Vollstreckungsmaßnahmen durch die Aufsichtsbehörde öffentlich gemacht, kann das zu einer erheblichen negativen Berichterstattung in der Presse führen und negative Reaktionen bei den Interessengruppen hervorrufen (siehe auch Reputationsrisiko).

Dies könnte zu einem Rückgang des verwalteten Vermögens führen und somit wesentliche Auswirkungen auf die Finanz- und Ertragslage der BJB haben.

3.4 Marktverhaltensrisiko

Das Marktverhaltensrisiko wird von BJB definiert als das Risiko der Beteiligung der BJB an verschiedenen Verhaltensweisen (z.B. Insiderhandel, Marktmanipulation), die Marktmissbrauch mit den letztendlichen Auswirkungen auf die Integrität und das ordnungsgemäße Funktionieren der Märkte darstellen können, sowie das Risiko der Nichteinhaltung verschiedener Finanzmarktregeln und -vorschriften, wie z.B. Regulierung der Finanzmarktinfrastuktur, Börsenregeln, interne produktspezifische Beschränkungen und marktspezifische Vorschriften. Aufgrund des breiten Spektrums an Vorschriften und Themen, die unter diese Kategorie fallen, sind die Risiken für BJB ebenso vielfältig und können von Verwaltungsstrafen und hohen verhängten Bußgeldern bis hin zum Verlust der Börsenzulassung oder Lizenz reichen.

Die Nichteinhaltung verschiedener Finanzmarktregeln und -vorschriften, wie z.B. der Regulierung der Finanzmarktinfrastuktur, der Börsenregeln, interner produktspezifischer Beschränkungen und marktspezifischer Vorschriften, kann in Form von Geldstrafen und/oder Geldbußen durch Regulierungs- und/oder Strafbehörden oder sogar im Verlust der Lizenz erfolgen.

Dies könnte zu einem materiellen Verlust für BJB führen und somit wesentliche Auswirkungen auf die Finanz- und Ertragslage der BJB haben.

3.5 Prozessrisiko

BJB definiert das Prozessrisiko als das Risiko unangemessener finanzieller Verluste, regulatorischer/strafrechtlicher Sanktionen und der Gefährdung des guten Rufs, die sich aus unangemessenem Management, Risikobewertung,

I. RISK FACTORS

BJB is involved in various legal, regulatory and administrative proceedings concerning matters arising within the course of normal business operations. Such proceedings include for example litigation in relation to certain investment schemes, tax schemes and further litigation related to the banking activities of BJB.

These may be costly to defend and could result in large monetary losses, including punitive damage awards. In particular, BJB is involved in a number of litigation proceedings in which claims from third parties have been made against BJB. As a participant in the financial services industry, it is likely that BJB will continue to experience a high level of litigation and regulatory investigations related to its businesses and operations. In addition, legal, regulatory and administrative proceedings against other Julius Baer Group companies may have a negative effect on BJB, even if BJB is not directly involved, including through reputational damage of the Julius Baer brand or large monetary losses of other Julius Baer Group companies, which in turn could reduce capital available for BJB.

For the reasons set out above, legal, regulatory and administrative proceedings against BJB, may require BJB to restructure its operations and activities or to cease offering certain products or services.

All of these potential outcomes could impact the financial condition and profitability of BJB.

I. RISIKOFAKTOREN

Überwachung und Berichterstattung von Rechtsstreitigkeiten, Untersuchungsfällen und Kundenbeschwerden ergeben

BJB ist an verschiedenen Rechts-, Regulierungs- und Verwaltungsverfahren beteiligt, die Angelegenheiten betreffen, die sich im Rahmen des normalen Geschäftsbetriebs ergeben. Solche Verfahren umfassen zum Beispiel Rechtsstreitigkeiten in Bezug auf bestimmte Investitionsprogramme, Steuerprogramme und weitere Rechtsstreitigkeiten im Zusammenhang mit den Bankaktivitäten von BJB.

Im Rahmen dieser Verfahren kann die Vertretung kostenintensiv sein und die Verfahren können zu erheblichen finanziellen Einbussen einschliesslich Strafschadensersatz führen. Die BJB ist Gegenstand verschiedener Verfahren, in denen Dritte gegen die BJB Ansprüche geltend machen. Als Finanzmarktteilnehmer und Finanzdienstleister ist es wahrscheinlich, dass die BJB im Zusammenhang mit ihrem Geschäftsbetrieb weiterhin mit einer Vielzahl von Gerichtsverfahren und aufsichtsrechtlichen Untersuchungen konfrontiert sein wird. Darüber hinaus können gerichtliche, regulatorische und administrative Verfahren gegen andere Gesellschaften der Julius Bär Gruppe negative Auswirkungen auf BJB haben, auch wenn BJB nicht direkt involviert ist, unter anderem durch Reputationsschäden der Marke Julius Bär oder große monetäre Verluste anderer Gesellschaften der Julius Bär Gruppe, die wiederum das für BJB verfügbare Kapital reduzieren könnten.

Aus den oben genannten Gründen können gerichtliche, regulatorische und administrative Verfahren dazu führen, dass die BJB gewisse Geschäftsaktivitäten restrukturieren muss oder bestimmte Dienstleistungen und Produkte nicht mehr anbieten kann.

Der Ausgang der gerichtlichen und aufsichtsrechtlichen Verfahren könnte Einfluss auf die finanzielle Lage und Profitabilität der BJB haben.

II. BANK JULIUS BAER & CO. LTD., ZÜRICH

II. BANK JULIUS BAER & CO. LTD., ZÜRICH

1. General Information about BJB

As depicted in below chart, BJB, together with the group companies Bank Julius Bär Deutschland AG, Frankfurt a.M., Bank Julius Baer (Monaco) S.A.M., Bank Julius Baer Europe S.A., Luxembourg and others, is a fully owned subsidiary of Julius Baer Group Ltd. (Julius Baer Group Ltd. together with its subsidiaries the "**Julius Baer Group**"). Julius Baer Group was formed in 2009 out of a split-up of business segments of Julius Baer Holding Ltd. The Julius Baer Group mainly comprises banks and finance companies.

As of the date of this Registration Document BJB itself holds 100 % of shares in Bank Julius Baer Nominees (Singapore) Pte. Ltd., Singapore.

II. BANK JULIUS BÄR & CO. AG, ZÜRICH

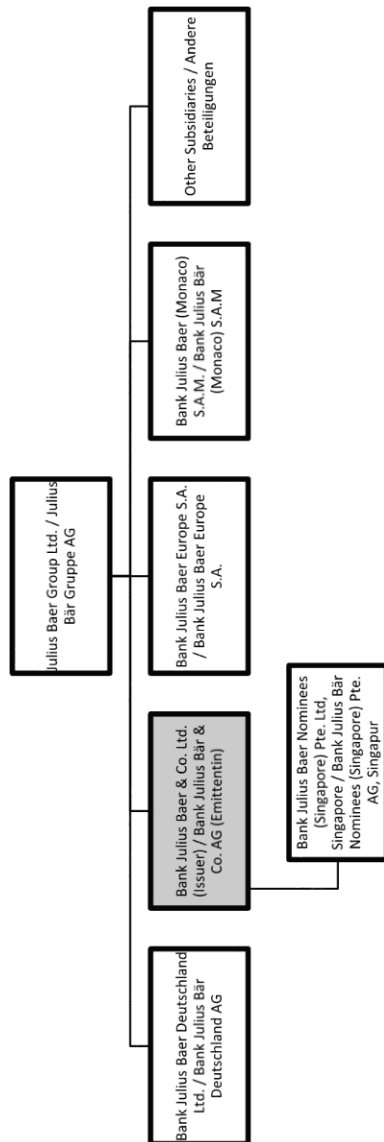
II. BANK JULIUS BÄR & CO. AG, ZÜRICH

1. Allgemeine Informationen über BJB

Wie im untenstehenden Diagramm dargestellt, ist BJB, zusammen mit den Gruppengesellschaften Bank Julius Bär Deutschland AG, Frankfurt a.M., Bank Julius Baer (Monaco) S.A.M., Bank Julius Baer Europe S.A., Luxemburg und anderen, eine hundertprozentige Tochtergesellschaft der Julius Bär Gruppe AG (Julius Bär Gruppe AG zusammen mit allen Tochtergesellschaften die "**Julius Bär Gruppe**"). Die Julius Bär Gruppe ist 2009 aus der Aufteilung der Geschäftsbereiche der ehemaligen Julius Bär Holding AG hervorgegangen. Die Julius Bär Gruppe besteht hauptsächlich aus Banken und Finanzgesellschaften.

BJB hält zum Datum dieses Registrierungsformulars 100% der Anteile an Bank Julius Baer Nominees (Singapore) Pte. Ltd., Singapur.

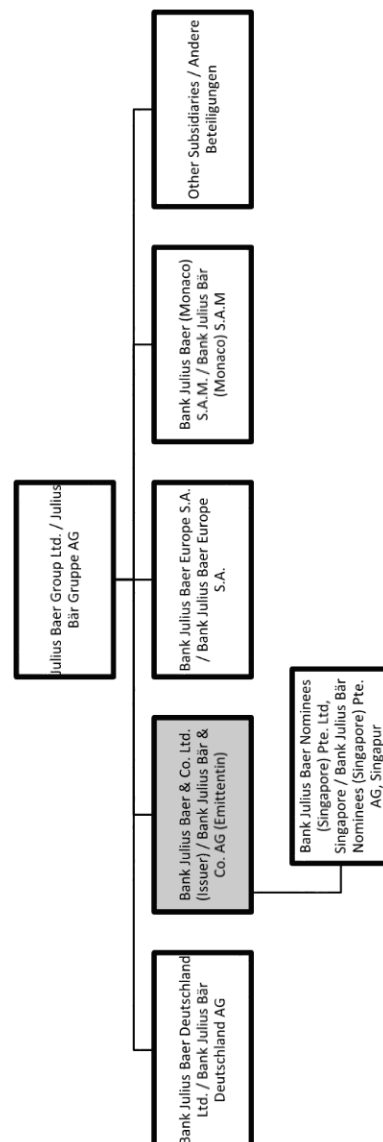
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BJB is dependent on its sole shareholder, Julius Baer Group Ltd, and thus on its business strategy for the entire Julius Baer Group.

BJB is registered with the names Bank Julius Bär & Co. AG, Banque Julius Baer & Cie. SA, Bank Julius Baer & Co. Ltd. and Banca Julius Baer & Co. SA in the Commercial Register of the Canton of Zurich under the number CH-020.3.902.727-1 since 31 December 1974 and in the UID-Register under CHE-105.940.833. Those names refer to one and the same entity. BJB has no commercial names. The Legal Entity Identifier of BJB (LEI) is:

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BJB ist abhängig von seinem einzigen Aktionär, der Julius Bär Gruppe AG, und damit auch von deren Geschäftsstrategie für die gesamte Julius Bär Gruppe.

BJB ist mit der Firma Bank Julius Bär & Co. AG, Banque Julius Baer & Cie. SA, Bank Julius Baer & Co. Ltd. und Banca Julius Baer & Co. SA im Handelsregister des Kantons Zürich unter der Nummer CH-020.3.902.727-1 seit 31. Dezember 1974 und im UID-Register unter der Nummer CHE-105.940.833 eingetragen. Die genannten Namen beziehen sich auf ein und dieselbe juristische Person. BJB hat keinen kommerziellen Namen. Der Legal Entity Identifier (LEI) der BJB ist:

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PNWU8O0BLT17BBV61Y18.

BJB is a stock corporation with limited liability under the laws of Switzerland and was founded in Switzerland on 31 December 1974. It is acting through its head office or a designated branch. BJB took over the banking operations of its predecessor, the private bank Julius Baer & Co., which began its operations in the 1890s.

BJB's registered office is at Bahnhofstrasse 36, 8001 Zurich, Switzerland (telephone number: +41 (0) 58 888 1111). The website of BJB is <https://www.juliusbaer.com> (whereby the information on this website does not form part of this Registration Document unless information from this website is incorporated by reference into this Registration Document as set out in "6. Information Incorporated by Reference" below). As of 31 December 2021 BJB has branch offices in Basle, Berne, Crans-Montana, Geneva, Guernsey, Hong Kong, Lausanne, Lucerne, Lugano, Singapore, Sion, St. Gallen, St. Moritz, Verbier and Zurich. It also has representations in Abu Dhabi, Bogota, Istanbul, Johannesburg, Mexico City, Santiago de Chile and Shanghai.

BJB's branch in Guernsey has its registered office No. 1, The Plaza, Elizabeth Avenue, Admiral Park, P.O. Box 87, St. Peter Port, GBG-Guernsey GY1 4 BS (telephone number: +44 (0) 1 481 726 618). It is licensed in Guernsey under the Banking Supervision (Bailiwick of Guernsey) Law 1994 and The Protection of Investors (Bailiwick of Guernsey) Law 1987.

2. Auditors of BJB

For the financial years ended 31 December 2020 and 31 December 2021, the independent auditors of BJB were KPMG AG, Badenerstrasse 172, 8004 Zurich, Switzerland, acting in terms of the provisions of company and banking law as well as BJB's articles of association. KPMG AG have audited the consolidated financial statements of BJB for the financial years ended 31 December 2020 and 31 December 2021 and the financial statements of BJB for the financial year ended 31 December 2021. KPMG AG is a member of the Swiss Institute of Certified Accountants and Tax Consultants with registered office in Zurich.

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BJB ist eine Aktiengesellschaft nach Schweizer Recht und wurde am 31. Dezember 1974 in der Schweiz gegründet. Sie handelt durch ihre Hauptniederlassung oder eine dazu bestimmte Zweigniederlassung. BJB übernahm das Bankgeschäft der vormaligen Privatbank Julius Bär & Co., deren Anfänge in die 90er Jahre des 19. Jahrhunderts zurückreichen.

Der Sitz der BJB ist an der Bahnhofstrasse 36, 8001 Zürich, Schweiz (Telefonnummer: +41 (0) 58 888 1111). Die Website der BJB ist: <https://www.juliusbaer.com> (wobei die Angaben auf dieser Website nicht Teil des Registrierungsformulars sind, mit Ausnahme der Angaben, die mittels Verweis in dieses Registrierungsformular aufgenommen wurden, wie im Abschnitt "6. Mittels Verweis Aufgenommene Angaben" dargestellt). Per 31. Dezember 2021 hat die BJB Niederlassungen in Basel, Bern, Crans-Montana, Genf, Guernsey, Hongkong, Lausanne, Lugano, Luzern, Singapur, Sion, St. Gallen, St. Moritz, Verbier, und Zürich. Sie hat Vertretungen in Abu Dhabi, Bogota, Istanbul, Johannesburg, Mexico City, Santiago de Chile und Shanghai.

Die Zweigniederlassung der BJB in Guernsey hat ihren Sitz in No. 1, The Plaza, Elizabeth Avenue, Admiral Park, P.O. Box 87, St. Peter Port, GBG-Guernsey GY1 4 BS (Telefonnummer: +44 (0) 1 481 726 618). Sie ist lizenziert in Guernsey unter dem Banking Supervision (Bailiwick of Guernsey) Law 1994 und The Protection of Investors (Bailiwick of Guernsey) Law 1987.

2. Abschlussprüfer der BJB

Für die am 31. Dezember 2020 und am 31. Dezember 2021 beendeten Geschäftsjahre war KPMG AG Badenerstrasse 172, 8004 Zürich, Schweiz der unabhängige Abschlussprüfer der BJB gemäss Gesellschafts- und Bankrecht sowie BJBs Statuten. KPMG AG hat die konsolidierten Finanzberichte der BJB für die am 31. Dezember 2020 und am 31. Dezember 2021 beendeten Geschäftsjahre und die Finanzberichte der BJB für das am 31. Dezember 2021 beendete Geschäftsjahr geprüft. KPMG AG ist Mitglied der Treuhandkammer mit Sitz in Zürich.

3. Business overview of BJB

Principal Activities

BJB operates a bank and may, in accordance with Article 2 of its articles of incorporation dated 26 March 2021, execute all transaction which are directly or indirectly related to the purpose of BJB as well as all transactions which may further the purpose of BJB; such transactions may be executed for BJB 's own account or for third parties. BJB may purchase real estate, pledge it as security and sell it. BJB may be active domestically and abroad. BJB may establish branches and agencies domestically and abroad.

BJB's core business is wealth management and investment advice for private clients, family offices and external asset managers from around the world. In cooperation with other companies of the Julius Baer Group, comprehensive services are offered i.a. in the areas of wealth and tax planning, foreign exchange, equity, precious metals and fund trading, custody and execution services and other, complementary business fields. BJB is also active in the Lombard credit business for portfolio management and trading clients and provides straight residential mortgages to its private clients, predominantly in Switzerland, but also in high-end market areas of other European countries. Within the Julius Baer Group, BJB operates as the central underwriter for traditional and innovative derivative investment products. BJB also engages in securities lending and borrowing.

At the date of this Registration Document, the BJB's activities are largely financed by client sight deposits. In addition, the BJB is financed by Julius Baer Group Ltd. with debt capital, which Julius Baer Group. Has raised on the capital market by issuing various bonds. Given its active participation in the interbank market, BJB is quickly able to access additional sources of refinancing at any time.

Principal Markets

The most important markets for BJB are the home market in Switzerland, Asia and Europe. In 2021, BJB achieved (according to the audited BJB Consolidated Financial Information 2021 which has been prepared in accordance with International Financial Reporting Standards ("IFRS"))

3. Geschäftsüberblick der BJB

Haupttätigkeiten

BJB betreibt eine Bank und kann, entsprechend Artikel 2 ihrer Statuten vom 26. März 2021, alle mit diesem Zweck direkt oder indirekt im Zusammenhang stehenden Geschäfte sowie alle Geschäfte, die diesen Zweck zu fördern geeignet sind, für eigene oder fremde Rechnung tätigen. Die Gesellschaft kann Grundstücke erwerben, belasten und veräussern. Der Geschäftsbereich erstreckt sich auf das In- und Ausland. BJB darf Niederlassungen und Agenturen im In- und Ausland eröffnen.

Das wichtigste Geschäftsgebiet der BJB ist die Vermögensverwaltung und Anlageberatung für Privatkunden, Familienunternehmen und unabhängige Vermögensverwalter aus aller Welt. In Zusammenarbeit mit anderen Gesellschaften der Julius Bär Gruppe werden umfassende Dienstleistungen u.a. in den Bereichen Wealth & Tax Planning, Devisen- und Wertschriftenhandel, Edelmetall- und Fondshandel, Depot- und Abwicklungsleistungen sowie in weiteren ergänzenden Geschäftsfeldern angeboten. Für ihre Portfolio-Management- und Handelskunden ist die BJB ausserdem im Lombard-Kreditgeschäft tätig. Sie bietet ihren Privatkunden, vor allem in der Schweiz, aber auch in High-end-Märkten in anderen europäischen Ländern, Hypotheken für Wohnimmobilien an. Innerhalb der Julius Bär Gruppe übernimmt BJB die zentrale Funktion als Emissionshaus für traditionelle und innovative derivative Anlageprodukte wahr. Zudem ist die BJB aktiv im Wertpapierleihgeschäft (*Securities Lending and Borrowing*).

Die Finanzierung der Aktivitäten der BJB wird zum Zeitpunkt dieses Registrierungsformulars maßgeblich durch die Kundenguthaben auf Sicht bereitgestellt. Zusätzlich wird die BJB durch die Julius Bär Gruppe AG mittels Fremdkapital finanziert, welches die Julius Bär Gruppe AG mittels der Emission von verschiedenen Anleihen am Kapitalmarkt aufgenommen hat. Durch die aktive Partizipation im Interbankenmarkt ist BJB jederzeit und kurzfristig in der Lage, weitere Refinanzierungsquellen bereitzustellen.

Wichtigste Märkte

Die wichtigsten Märkte für BJB sind der Heimatmarkt Schweiz sowie Asien und Europa. 2021 erreichte BJB gemäß den geprüften BJB Konsolidierten Finanzinformationen 2021, die gemäß den internationalen Rechnungslegungsstandards IFRS ("IFRS") erstellt

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(See "II.8. Historical Financial Information of BJB" on page 36 below) an operating income of CHF 3,055 million, thereof CHF 2,096 million in Switzerland, CHF 197 million in Europe (excluding Switzerland), CHF 876 million in Asia and other countries and CHF -114 million consolidation items (on BJB's branches and representative offices See "II. 1. General Information about BJB" above).

Competitive Position

The following information on the BJB's competitive position is based on BJB's own assessment of the situation:

The BJB is well established in the market as an international offeror with a tailor-made and versatile range of products and is currently present in some 50 locations worldwide. BJB engages exclusively in private banking activities primarily in Switzerland, Europe, Asia, the Middle East and South America.

BJB's asset management business is characterised by increasing competition and accelerating consolidation in private banking in Switzerland. The consolidation is not least being forced along by the rising costs of information technology and increasing regulation, which are growing ever more burdensome for smaller institutions. In addition, there has been a growth in competition between international financial centres such as London, Singapore and Switzerland. In view of these circumstances, BJB is endeavouring to strengthen its private banking position in Switzerland and to selectively develop its private banking activities abroad.

4. Trend Information

There has been no material adverse change in the prospects of BJB since the date of its last published audited financial statements (31 December 2021).

The first months of 2022 were characterised by major changes in geopolitical realities, which significantly impacted financial markets. While the financial market downturn and client portfolio de-risking impacted Julius Baer Group's reported assets under management, sustained high levels of client activity helped drive a considerable recovery in Julius Baer Group's gross margin. In combination with the structural improvement in efficiency achieved in the last two years, this led to an improved cost/income ratio and the adjusted pre-tax margin compared to the second half of 2021, thereby

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wurden, (siehe "II.8. Historische Finanzinformationen der BJB" nachstehend auf Seite 36) ein Betriebsertrag in Höhe von CHF 3.055 Millionen, davon CHF 2.096 Millionen in der Schweiz, CHF 197 Millionen in Europa (ohne Schweiz), CHF 876 Millionen in Asien und anderen Ländern sowie CHF -114 Million Konsolidierungsposten (zu BJB's Niederlassungen und Repräsentanzen siehe "II. 1. Allgemeine Informationen über BJB" oben).

Wettbewerbsposition

Die nachfolgende Information über die Wettbewerbsposition der BJB basiert auf der eigenen Einschätzung der BJB:

Die BJB ist als internationaler Anbieter einer maßgeschneiderten und vielfältigen Produktpalette gut im Markt etabliert und ist derzeit an rund 50 Standorten weltweit präsent. Die BJB konzentriert sich ausschließlich auf Private-Banking Aktivitäten, und zwar vorwiegend in der Schweiz, in Europa, in Asien, im Mittleren Osten und in Lateinamerika.

JBs Vermögensverwaltungsgeschäft ist durch zunehmenden Wettbewerb und fortschreitende Konsolidierung des Private Banking-Sektors in der Schweiz geprägt. Die Konsolidierung wird nicht zuletzt beschleunigt durch steigende Kosten für Informationstechnologien und zunehmende Regulierung, welche auf kleineren Institutionen noch stärker lasten. Zusätzlich nimmt der Wettbewerb zwischen internationalen Finanzzentren wie London, Singapur und der Schweiz zu. Vor dem Hintergrund dieser Umstände bemüht sich BJB, ihre Private Banking Position in der Schweiz zu stärken und seine Private Banking Tätigkeiten im Ausland gezielt zu entwickeln.

4. Trendinformationen

Seit dem Datum des letzten veröffentlichten geprüften Abschlusses (31. Dezember 2021) hat es keine wesentliche Verschlechterung der Aussichten der BJB gegeben.

Die ersten Monate des Jahres 2022 waren gekennzeichnet durch bedeutende Veränderungen der geopolitischen Gegebenheiten, die sich allesamt erheblich auf die Finanzmärkte auswirkten. Während sich der Abschwung an den Finanzmärkten und der Abbau von Risiken in den Kundenportfolios auf die verwalteten Vermögen auswirkten, trug die anhaltend hohe Kundenaktivität zu einer erheblichen Erholung der Bruttomarge der Julius Bär Gruppe bei. Zusammen mit der strukturellen Effizienzsteigerung der letzten zwei Jahre führte dies zu Verbesserungen der Cost/Income Ratio und

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positioning Julius Baer Group on track to achieve its financial targets for the current 2020-2022 strategic cycle.

Further, at end of April 2022, approximately 1.6% of Julius Baer Group's assets under management were related to Russian persons neither entitled to residency in the European Economic Area nor in Switzerland. Since Russia's invasion of Ukraine Julius Baer Group has not onboarded new clients with a Russian residence and applies all relevant national and international sanctions. Julius Baer Group has a credit exposure to a single-digit number of clients subject to these sanctions. Julius Baer Group's market risk exposure to Russia is not significant and is tightly managed. Julius Baer Group has initiated the wind-down of its advisory subsidiary in Moscow, in compliance with local regulations and contractual agreements. The net asset value of this entity on 31 December 2021 was CHF 0.4 million.

5. Management of BJB

BJB has a Board of Directors and an Executive Board. The Executive Board is appointed by the Board of Directors. The Executive Board and Board of Directors are, as required by Swiss banking law, kept strictly separate from each other. The Board of Directors is responsible for the supreme management and strategic orientation of BJB and for the supervision of the Executive Board. The Executive Board is responsible for the operational management of the company.

The members of the Board of Directors and of the Executive Board of BJB are identical to those of Julius Baer Group Ltd. The members of the Board of Directors are newly elected or re-elected by the ordinary general meeting of shareholders for a 1 year-term. Except for the election of the Chairman of the Board of Directors and the members of the Compensation Committee by the general meeting of shareholders, the Board of Directors constitutes itself. The maximum (cumulative) term of office for the members of the Board of Directors is generally twelve years. Members of the Board of Directors shall as a general rule not stand for re-election as from the year in which they reach the age of 75 years.

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der adjustierten Vorsteuer marge im Vergleich zum zweiten Halbjahr 2021. Damit ist die Julius Bär Gruppe gut auf Kurs, ihre finanziellen Ziele für den laufenden Strategiezyklus 2020-2022 zu erreichen.

Ende April 2022 entfielen rund 1.6% der verwalteten Vermögen der Julius Bär Gruppe auf russische Personen, die weder im Europäischen Wirtschaftsraum noch in der Schweiz wohnhaft sind. Die Julius Bär Gruppe nimmt seit der Invasion Russlands in der Ukraine keine neuen Kunden mit Wohnsitz in Russland auf und wendet alle massgebenden nationalen und internationalen Sanktionen an. Die Julius Bär Gruppe hat ein Kreditengagement gegenüber einer einstelligen Anzahl Kunden, die diesen Sanktionen unterliegen. Die Marktrisikopositionen bezüglich Russland der Julius Bär Gruppe sind nicht signifikant und werden streng verwaltet. Die Julius Bär Gruppe hat unter Einhaltung der lokalen Vorschriften und der vertraglichen Vereinbarungen die Schliessung ihrer Beratungstochtergesellschaft in Moskau eingeleitet. Der Nettovermögenswert dieser Einheit betrug am 31. Dezember 2021 CHF 0.4 Mio.

5. Geschäftsführung der BJB

BJB hat einen Verwaltungsrat und eine Geschäftsleitung. Der Verwaltungsrat ernennt die Geschäftsleitung. Die Geschäftsleitung und der Verwaltungsrat sind gemäss Schweizer Bankrecht, streng voneinander getrennt. Der Verwaltungsrat ist verantwortlich für die oberste Führung des Geschäfts und für die strategische Ausrichtung der BJB sowie für die Aufsicht über die Geschäftsleitung. Die Geschäftsleitung ist verantwortlich für die operative Führung des Unternehmens.

Die Mitglieder des Verwaltungsrats und der Geschäftsleitung der BJB sind identisch mit den Mitgliedern des Verwaltungsrats der Julius Bär Gruppe AG. Neu zu wählende sowie wieder zu wählende Verwaltungsratsmitglieder werden von der ordentlichen Generalversammlung der Aktionäre für die Dauer von 1 Jahr gewählt. Mit Ausnahme der Wahl des Präsidenten des Verwaltungsrates sowie der Mitglieder des Compensation Committee durch die Generalversammlung der Aktionäre, konstituiert sich der Verwaltungsrat selbst. Die maximale (kumulierte) Amtsdauer für die Mitglieder des Verwaltungsrates beträgt in der Regel zwölf Jahre. Mitglieder des Verwaltungsrats stellen sich in der Regel ab jenem Jahr nicht mehr zur Wiederwahl, in welchem sie ihr 75. Lebensjahr vollenden.

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Board of Directors of BJB

All members of the Board of Directors of BJB are non-executive members.

As of the date of this Registration Document the Board of Directors of BJB consists of the following members:

Name and Position held	Significant outside activities
Dr. Romeo Lacher Chairman	Vice-Chairman of the Bank Council and member of the Nomination Committee and Chairman of the Compensation Committee of the Swiss National Bank Member of the Board of Directors of Economiesuisse, Zurich, Switzerland Vice-Chairman of the Board of Directors of Swiss Finance Institute Stiftung, Zurich, Switzerland Member of the Board of Trustees of think tank avenir Suisse, Zurich, Switzerland
Gilbert Achermann Member of the Board of Directors	Chairman of the Board of Directors of Straumann Group, Basle, Switzerland Member of the Board of Directors and of the Compensation Committee of Ypsomed Holding AG, Burgdorf, Switzerland Member of the Board of Swiss Medtech Basle, Switzerland Member of the Board of Directors of the ITI Association and ITI Foundation, Basle, Switzerland Member of the Committee and Executive of the Chamber of Commerce of both Basle, Basle, Switzerland Member of the Supervisory Board of IMD International Institute for Management Development, Lausanne, Switzerland

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Verwaltungsrat der BJB

Alle Mitglieder des Verwaltungsrates der BJB sind nicht exekutive Mitglieder.

Zum Datum dieses Registrierungsformulars gehören folgende Personen dem Verwaltungsrat der BJB an:

Name und Ausgeübte Position	Wesentliche externe Tätigkeiten
Dr. Romeo Lacher Präsident des Verwaltungsrates	Vizepräsident des Bankrats und Mitglied des Nominationsausschusses und Präsident des Kompensationsausschusses der Schweizerischen Nationalbank Mitglied des Verwaltungsrates der Economiesuisse, Zürich, Schweiz Vizepräsident des Verwaltungsrates des Swiss Finance Institute Stiftung, Zürich, Schweiz Mitglied des Stiftungsrats der think tank avenir Suisse, Zürich, Schweiz
Gilbert Achermann Mitglied des Verwaltungsrats	Präsident des Verwaltungsrates der Straumann Gruppe, Basel, Schweiz Mitglied des Verwaltungsrates und des Kompensationsausschusses der Ypsomed Holding AG, Burgdorf, Schweiz Mitglied des Verwaltungsrats der Swiss Medtech Basel, Schweiz Mitglied des Verwaltungsrates der ITI Association und ITI Foundation, Basel, Schweiz Mitglied des Ausschusses und Vorstandes der Handelskammer beider Basel, Basel, Schweiz Mitglied des Stiftungsrates von IMD, International Institute for Management Development, Lausanne, Schweiz

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Dr. Heinrich Baumann Member of the Board of Directors	Vice Chairman of the Board of Directors of Atlis AG, Biberist, Switzerland
	Vice Chairman of the Board of Directors of Completo AG, Biberist, Switzerland
	Member of the Board of Directors of KSHB Holding AG (Holding Company of Atlis AG, Biberist, Switzerland), Bern, Switzerland
	Vice-President of the Foundation Board of the International Foundation for Research Paraplegia, Chêne-Bourg, Switzerland
David Nicol Member of the Board of Directors	Non-Executive member and Chairman of the Multrees Investor Services Limited, London, UK
	Trustee of The Urology Foundation, London, UK
	Member of the Board and Chairman of the Appointments Committee of the Federated Hermes Property Unit Trust, London, UK
	Chairman of the Appointments Committee
Kathryn Shih Member of the Board of Directors	Member of the Council of Advisors of the Hong Kong University of Science and Technology Business School, Hong Kong
	Temasek Fellow at the Wealth Management Institute, Singapore
	Director of Shih Co Charitable Foundation Ltd., Hong Kong
Dr. Ivo Furrer Member of the Board of Directors	Member of the Board of Directors of responsAbility Investments AG, Zurich, Switzerland
	Member of the Board of Directors of Fundamenta Group AG, Zug, Switzerland
	Member of the Executive Committee of digitalswitzerland, Zurich, Switzerland
	Member of the Foundation Board of Swiss Foundation for Work and Further Education, Brugg, Switzerland

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Dr. Heinrich Baumann Mitglied des Verwaltungsrats	Vizepräsident des Verwaltungsrates der Atlis AG, Biberist, Schweiz
	Vizepräsident des Verwaltungsrates der Completo AG, Biberist, Schweiz
	Mitglied des Verwaltungsrates der KSHB Holding AG (Holdinggesellschaft der Atlis AG, Biberist, Schweiz), Bern, Schweiz
	Vizepräsident des Stiftungsrates der Internationalen Stiftung für Forschung in Paraplegie, Chêne-Bourg, Schweiz
David Nicol Mitglied des Verwaltungsrats	Nicht-exekutives Mitglied und Präsident der Multrees Investor Services Limited, London, VK
	Trustee der The Urology Foundation, London, VK
	Mitglied des Verwaltungsrats und Präsident des Appointments Committee des Federated Hermes Property Unit Trust, London, VK
Kathryn Shih Mitglied des Verwaltungsrats	Präsident des Appointments Committee
	Mitglied des Beraterrates der Hong Kong University of Science and Technology Business School, Hong Kong
	Temasek Fellow der Wealth Management Institute, Singapur
Dr. Ivo Furrer Mitglied des Verwaltungsrats	Direktor der Shih Co Charitable Foundation Ltd., Hong Kong
	Mitglied des Verwaltungsrates, responsAbility Investments AG, Zürich, Schweiz
	Mitglied des Verwaltungsrates der Fundamenta Group AG, Zug, Schweiz
	Mitglied des Vorstands der digitalswitzerland, Zürich, Schweiz
	Mitglied des Stiftungsrates der Stiftung Swiss Foundation for Work and Further Education, Brugg, Schweiz

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	Member of the Board of Directors and Chairperson of the Audit Committee of Helvetia Insurance, St. Gallen, Switzerland
	Member of the Board of Directors of inventx, Chur, Switzerland
Richard M. Campbell-Breeden Member of the Board of Directors	<p>Founder and Chairman of the Board of Directors of Omeshorn Capital Advisors, London, UK</p> <p>Director of Omeshorn Holdings Ltd., British Virgin Islands</p> <p>Chairman of the Board of Directors of Arq Limited (incl. Arq International Limited, Arq UK Management Limited and Arq IP Limited), London, UK</p>
Eunice Zehnder-Lai Member of the Board of Directors	<p>Member of the Board of Directors of DKSH Holding Ltd, Zurich, Switzerland</p> <p>Member of the Board of Directors of Geberit Group AG, Rapperswil-Jona, Switzerland</p> <p>President of the Foundation Board of Friends of Asia Society Switzerland Arts & Culture Foundation, Zurich, Switzerland</p> <p>Member of the Board of Directors of Asia Society Switzerland, Zurich, Switzerland</p> <p>Member of the Foundation Board of Insights for Education, Zurich, Switzerland</p> <p>Member of the Global board of Trustees, Asia Society, New York, USA</p>
Olga Zoutendijk Member of the Board of Directors	Member of the Board of Governors and Chair of the Audit Committee of Leiden University, the Netherlands
Tomas Varela Muiña Member of the Board of Directors	Fundación de Estudios Financieros (Spanish Foundation of Financial Studies), Madrid Trustee

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	Mitglied des Verwaltungsrates und Vorsitzende des Revisionsausschusses der Helvetia Versicherung, St. Gallen, Schweiz
	Mitglied des Verwaltungsrates der inventx, Chur, Schweiz
Richard M. Campbell-Breeden Mitglied des Verwaltungsrats	<p>Gründer und Präsident des Verwaltungsrates der Omeshorn Capital Advisors, London, Grossbritannien</p> <p>Direktor der Omeshorn Holdings Ltd., Britische Jungferninseln</p> <p>Präsident des Verwaltungsrates, Arq Limited (inkl. Arq International Limited, Arq UK Management Limited und Arq IP Limited), London, Grossbritannien</p>
Eunice Zehnder-Lai Mitglied des Verwaltungsrats	<p>Mitglied des Verwaltungsrates der DKSH Holding AG, Zürich, Schweiz</p> <p>Mitglied des Verwaltungsrates der Geberit Group AG, Rapperswil-Jona, Schweiz</p> <p>Präsidentin des Stiftungsrates der Friends of Asia Society Switzerland Arts & Culture Stiftung, Zürich, Schweiz</p> <p>Mitglied des Verwaltungsrates der Asia Society Schweiz Stiftung, Zürich, Schweiz</p> <p>Mitglied des Gründungsrates der Insights for Education, Zürich, Schweiz</p> <p>Mitglied des Global Board of Trustees, Asia Society, New York, Vereinigte Staaten von Amerika</p>
Olga Zoutendijk Mitglied des Verwaltungsrats	Mitglied des Stiftungsrates sowie Vorsitzende des Audit Committee der Universität Leiden, Niederlande
Tomas Varela Muiña Mitglied des Verwaltungsrats	Fundación de Estudios Financieros (Spanische Stiftung für Finanzstudien), Madrid Trustee

II. BANK JULIUS BAER & CO. LTD., ZÜRICH

The Business address of the Board of Directors of BJB is Bank Julius Bär & Co. AG, Bahnhofstrasse 36, 8001 Zurich, Switzerland.

Executive Board of BJB

As of the date of this Registration Document the members of the Executive Board of BJB of were:

Name and Position held	Significant activities outside
Philipp Rickenbacher Chief Executive Officer	Chairman of the Association of Swiss Asset and Wealth Management Banks, Zurich, Switzerland Member of the Foundation Board of IMD – International Institute for Management Development, Lausanne, Switzerland Councilor of Masayoshi Son Foundation for Scholarship, Tokyo, Japan Member of the Advisory Board of Beijing International Wealth Management Institute Co. Ltd, Beijing, China Member of the Board of Directors of the Swiss Bankers Association, Basle, Switzerland Member of the Advisory Board of >>venture>> Foundation, Zurich, Switzerland
Dieter A. Enkelmann ¹ Chief Financial Officer	Member of the Board of Directors of Cosmo Pharmaceuticals NV, Dublin, Ireland, including Head of the Audit Committee and member of the Nomination Committee

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Die Geschäftsadresse des Verwaltungsrats der BJB ist Bank Julius Bär & Co. AG, Bahnhofstrasse 36, 8001 Zürich, Schweiz.

Geschäftsleitung der BJB

Zum Datum dieses Registrierungsformulars gehören folgende Personen der Geschäftsleitung der BJB an:

Name und Ausgeübte Position	Wesentliche Tätigkeiten externe
Philipp Rickenbacher Chief Executive Officer	Präsident der Vereinigung Schweizerischer Assetmanagement und Vermögensverwaltungsbanken, Zürich, Schweiz Mitglied des Stiftungsrates des IMD – International Institute for Management Development, Lausanne, Schweiz Ratsmitglied der Masayoshi Son Foundation for Scholarship, Tokyo, Japan Mitglied des Beirats der Beijing International Wealth Management Institute Co. Ltd, Peking, China Mitglied des Verwaltungsrats der Schweizerischen Bankiervereinigung, Basel, Schweiz Mitglied des Beirats der >>venture>> Foundation, Zürich, Schweiz
Dieter A. Enkelmann ² Chief Financial Officer	Mitglied des Verwaltungsrates von Cosmo Pharmaceuticals NV, Dublin, Irland, einschliesslich Head Audit Committee und Mitglied des Nomination Committee

¹ Dieter A. Enkelmann will step down from the position of Chief Financial Officer of BJB and will be replaced by Evie Kostakis, effective as of 1 July 2022.

² Dieter A. Enkelmann wird von seiner Position als Chief Financial Officer der BJB zurücktreten und wird mit Wirkung vom 1. Juli 2022 von Evie Kostakis ersetzt.

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	Chairman of the Foundation Board of Stiftung für angewandte Krebsforschung, Zurich, Switzerland
Nic Dreckmann Chief Operating Officer / Head Intermediaries	Member of the Council of the Institute of Marketing and Analytics, Luzern, Switzerland
	Member of the Steering Committee of digitalswitzerland, Zurich, Switzerland
Dr. Oliver Bartholet Chief Risk Officer	Vice-Director and Lecturer at the IFF, Institute of public finance science, finance law and law and economics, University of St. Gallen (HSG), Switzerland
	Member of the Board of the Europa Institut at the University Zurich, Switzerland
Beatriz Sanchez Head Americas	Chair of the Advisory Board of Georgetown Institute for Women, Peace and Security, Washington DC, United States
	Member of the Advisory Board of Foundation for Human Rights in Cuba, Miami, United States
	Member of the Advisory Board of The Ideas Center at Miami Dade College, Miami, United States
Jimmy Lee Kong Eng Head Asia Pacific	Member of the Board of Directors of Beijing International Wealth Management Institute Co. Ltd., Beijing, China;
	Member of the Advisory Board for Wealth Management at the Singapore Management University, Singapore
	Member of the Board of Director of SCB-Julius Baer Securities Co., Ltd. (Thailand).

II. BANK JULIUS BÄR & CO. AG, ZÜRICH

	Präsident des Gründungsrates der Stiftung für angewandte Krebsforschung, Zürich, Schweiz
Nic Dreckmann Chief Operating Officer / Head Intermediaries	Mitglied des Rates des Institute of Marketing and Analytics, Luzern, Schweiz
	Mitglied des Steering Committee der digitalswitzerland, Zürich, Schweiz
Dr. Oliver Bartholet Chief Risk Officer	Vizedirektor und Lehrbeauftragter am IFF, Institut für Finanzwirtschaft und Finanzrecht, Universität St. Gallen (HSG), Schweiz
	Mitglied des Vorstands des Europa Institut an der Universität Zürich, Schweiz
Beatriz Sanchez Head Americas	Vorsitzender des Beirats des Georgetown Institute for Women, Peace and Security, Washington DC, Vereinigte Staaten von Amerika
	Mitglied des Beirats der Foundation for Human Rights in Cuba, Miami, Vereinigte Staaten von Amerika
	Mitglied des Beirats für The Ideas Center at Miami Dade College, Miami, Vereinigte Staaten von Amerika
Jimmy Lee Kong Eng Head Asia Pacific	Mitglied des Verwaltungsrates der Beijing International Wealth Management Institute Co. Ltd., Peking, China;
	Mitglied des Beirats for Wealth Management at the Singapore Management University; Singapore
	Mitglied des Verwaltungsrates der SCB-Julius Baer Securities Co., Ltd. (Thailand)

II. BANK JULIUS BAER & CO. LTD., ZÜRICH

Yves Robert-Charrue
Head Switzerland & Europe, Middle East, Africa

Member of the CEO Action Group for the European Green Deal of the World Economic Forum

Yves Henri Bonzon
Investment & Wealth Management Solutions, Chief Investment Officer

Member of the Board of Directors of ISREC Foundation, Lausanne, Switzerland

Member of the Foundation Board of Verbier Festival, Verbier, Switzerland

Nicolas de Skowronski

Investment & Wealth Management Solutions, Head of Wealth Management Solutions

The Business address of the Executive Board of BJB of BJB is Bank Julius Bär & Co. AG, Bahnhofstrasse 36, 8001 Zurich, Switzerland.

Conflicts of interest

At the date of this Registration Document there are no potential conflicts of interest between any duties to BJB of the members of its Board of Directors or its Executive Board and their private interest and/or other duties.

6. Share Capital of BJB and Main Shareholders of Julius Baer Group

BJB is a company limited by shares under Swiss law. As at the date of this Registration Document, the share capital of the Issuer amounts to CHF 575 million. The share capital is now divided into 5,750,000 fully paid-up registered shares, each with a nominal amount of CHF 100. There is no category of shares that carry preferential rights. At the general meeting, each share carries one vote. BJB has neither authorised nor conditional capital. BJB does not hold any of its own shares. There is no capital made up of participation certificates or profit-sharing certificates. As at the date of this Registration Document, there are no debentures outstanding within the meaning of Art. 1156 ff. of the Swiss Code of Obligations.

BJB is a one hundred per cent subsidiary of Julius Baer Group Ltd.

Julius Baer Group Ltd. is the parent and public company of the Julius Baer Group, which is active in the financial services industry operating on a global basis. Julius Baer

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Yves Robert-Charrue
Head Switzerland & Europe, Middle East, Africa

Mitglied der CEO Action Group for the European Green Deal of the World Economic Forum

Yves Henri Bonzon
Investment & Wealth Management Solutions, Chief Investment Officer

Mitglied des Verwaltungsrates der ISREC Foundation, Lausanne, Schweiz

Mitglied der Foundation Board of Verbier Festival, Verbier, Schweiz

Nicolas de Skowronski

Investment & Wealth Management Solutions, Head of Wealth Management Solutions

Die Geschäftsadresse der Geschäftsleitung der BJB ist Bank Julius Bär & Co. AG, Bahnhofstrasse 36, 8001 Zürich, Schweiz.

Interessenkonflikte

Zum Datum dieses Registrierungsformulars gibt es keine potenziellen Interessenkonflikte zwischen den Verpflichtungen gegenüber der BJB seitens der Mitglieder ihres Verwaltungsrats oder ihrer Geschäftsleistung und deren privaten Interessen und/oder sonstigen Verpflichtungen.

6. Aktienkapital der BJB und Hauptgesellschafter der Julius Bär Gruppe

BJB ist eine Aktiengesellschaft nach Schweizer Recht. Zum Datum dieses Registrierungsformulars betrug das Aktienkapital CHF 575 Millionen. Das Aktienkapital ist eingeteilt in 5.750.000 vollständig einbezahlte Namenaktien, jede mit einem Nennwert von CHF 100. Es gibt keine Aktien mit Vorzugsrechten. Auf jede Aktie entfällt eine Stimme in der Generalversammlung. Es gibt weder genehmigtes noch bedingtes Kapital. BJB hält keine eigenen Aktien. Es gibt keine Partizipationsscheine oder Genussscheine. Zum Datum dieses Registrierungsformulars stehen keine Anleiheobligationen im Sinne von Art. 1156 ff. des Schweizerischen Obligationenrechts aus.

BJB ist eine hundertprozentige Tochter der Julius Bär Gruppe AG.

Die Julius Bär Gruppe AG ist die Konzernobergesellschaft der Julius Bär Gruppe, welche weltweit in der Finanzindustrie tätig ist. Julius Bär Gruppe ist aus der

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Group evolved from the split-up of business segments of the former Julius Baer Holding Ltd.

As far as BJB is aware, the following persons/groups are as the date of this Registration Document the main shareholders in Julius Baer Group Ltd:

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Aufteilung der Geschäftsbereiche der ehemaligen Julius Bär Holding AG hervorgegangen.

Soweit BJB bekannt, waren zum Datum dieses Registrierungsformulars die folgenden Personen/Gruppen die wesentlichen Aktionäre der Julius Bär Gruppe AG:

Name	Portion of the Share Capital	Name	Anteil am Aktienkapital
MFS Investment Management, Boston, USA	9.98%	MFS Investment Management, Boston, USA	9.98%
T. Rowe Price Associates Inc.	5.07%	T. Rowe Price Associates Inc.	5.07%
BlackRock, Inc., New York, USA	5.06%	BlackRock, Inc., New York, USA	5.06%
UBS Fund Management (Switzerland) AG, Basel, Switzerland	3.09%	UBS Fund Management (Switzerland) AG, Basel, Schweiz	3.09%

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7. Audit Committee of BJB

Dr. Heinrich Baumann

Dr. Ivo Furrer

Claire Giraut

Eunice Zehnder-Lai

Olga Zoutendijk

8. Historical Financial Information of BJB*

For the financial year ended 31 December 2020, BJB has published consolidated financial information including the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows, Notes to the consolidated financial statements and the Auditors' report (the "**BJB Consolidated Financial Statements 2020**"). The BJB Consolidated Financial Statements 2020 are hereby incorporated by reference into this Registration Document. A list setting out all information incorporated by reference is provided in section "6. Information Incorporated by reference" on page 45 below.

For the financial year ended 31 December 2021, BJB has published consolidated financial information including the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows, Notes to the consolidated financial statements and the Auditors' report (the "**BJB Consolidated Financial Statements 2021**"). The BJB Consolidated Financial Statements 2021 are included in pages K-1 to K-148 of section IV. to this Registration Document.

For the financial year ended 31 December 2021, BJB has published financial information including the Income statement, balance sheet, notes to the financial statements and the Auditors' report (the "**BJB Financial Statements 2021**"). The BJB Financial Statements 2021 are included in pages J-1 to J-84 of section V. to this Registration Document.

The BJB Consolidated Financial Statements 2020 and the BJB Consolidated Financial Statements 2021 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

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7. Audit Committee der BJB

Dr. Heinrich Baumann

Dr. Ivo Furrer

Claire Giraut

Eunice Zehnder-Lai

Olga Zoutendijk

8. Historische Finanzinformationen der BJB*

Für das am 31. Dezember 2020 beendete Geschäftsjahr hat BJB konsolidierte Finanzinformationen einschließlich konsolidierter Erfolgsrechnung, konsolidierter Gesamtergebnisrechnung, konsolidierter Bilanz, konsolidierter Eigenkapitalentwicklung und konsolidierter Mittelflussrechnung, einen Anhang zu den konsolidierten Finanzinformationen sowie den Bericht der Abschlussprüfer (die "**BJB Konsolidierten Finanzinformationen 2020**") veröffentlicht. BJB Konsolidierten Finanzinformationen 2020 werden hiermit mittels Verweis in dieses Registrierungsformular aufgenommen. Eine Liste, die alle mittels Verweis aufgenommenen Informationen enthält, ist im nachfolgenden Abschnitt "6. Mittels Verweis Aufgenommene Angaben" auf Seite 45 enthalten.

Für das am 31. Dezember 2021 beendete Geschäftsjahr hat BJB konsolidierte Finanzinformationen einschließlich konsolidierter Erfolgsrechnung, konsolidierter Gesamtergebnisrechnung, konsolidierter Bilanz, konsolidierter Eigenkapitalentwicklung und konsolidierter Mittelflussrechnung, einen Anhang zu den konsolidierten Finanzinformationen sowie den Bericht der Abschlussprüfer (die "**BJB Konsolidierten Finanzinformationen 2021**") veröffentlicht. BJB Konsolidierten Finanzinformationen 2021 sind auf den Seiten K-1 bis K-148 im Abschnitt IV. dieses Registrierungsformulars enthalten.

Für das am 31. Dezember 2021 beendete Geschäftsjahr hat BJB Finanzinformationen einschliesslich Erfolgsrechnung, Bilanz, einen Anhang zu den Finanzinformationen sowie den Bericht der Abschlussprüfer (die "**BJB Finanzinformationen 2021**") veröffentlicht. Die BJB Finanzinformationen 2021 sind auf den Seiten J-1 bis J-84 im Abschnitt V. dieses Registrierungsformulars enthalten.

Die BJB Konsolidierten Finanzinformationen 2020, und die die BJB Konsolidierten Finanzinformationen 2021 sind gemäß den internationalen Rechnungslegungsgrundsätzen IFRS ("**IFRS**") erstellt

* The Income Statement in the BJB Consolidated Financial Statements 2020, the BJB Consolidated Financial Statements 2021 and the BJB Financial Statements 2021 include the figure "Operating Income". This is an Alternative Performance Measure. For Banks, the operating income comprises the net income from the banking business (including investing, financing and interest business), before deduction of the operating expenses. BJB considers the presentation of operating income to be useful and meaningful to investors because it provides purposeful information regarding BJB's financial and operating performance. In addition, Operating Income supports the direct comparison of BJB vis-à-vis its closest peers.

Auditing of Historical Financial Information

The responsible auditors of BJB (See "*II.2. Statutory Auditors of BJB*" above) have audited the historical financial information of BJB for financial years ended 31 December 2020 and 31 December 2021 as mentioned above and have issued an unqualified opinion in each case.

9. Significant changes in the financial position of BJB and its consolidated subsidiaries

There has been no significant change in the financial position of BJB and its consolidated subsidiaries since 31 December 2021.

10. Significant changes in the financial performance of BJB and its consolidated subsidiaries

There has been no significant change in the financial performance of BJB and its consolidated subsidiaries since 31 December 2021.

11. Legal and arbitration proceedings relating to BJB

Save as disclosed in the following, during the period covering the last previous 12 months no governmental, legal or arbitration proceedings (including any such proceedings, which are pending or threatened of which BJB is aware) may have, or have had in the recent past significant effects on the financial position or profitability of BJB and/or its consolidated subsidiaries.

worden.

* Die Gewinn- und Verlustrechnung den BJB Konsolidierten Finanzinformationen 2020, den BJB Konsolidierten Finanzinformationen 2021 und den BJB Finanzinformationen 2021 enthalten die Kennzahl "Operativer Gewinn". Dabei handelt es sich um eine Alternative Leistungskennzahl. Für Banken umfasst der Operative Gewinn den Nettoertrag aus dem Bankgeschäft (einschließlich Anlage-, Finanzierungs- und Zinsgeschäft) vor Abzug der Betriebsausgaben. BJB hält die Darstellung des Operativen Gewinns für Investoren für nützlich und sinnvoll, da es zielgerichtete Informationen über die finanzielle und betriebliche Leistung von BJB liefert. Darüber hinaus unterstützt der Operative Gewinn den direkten Vergleich von BJB mit seinen engsten Konkurrenten.

Prüfung der historischen Finanzinformationen

Die verantwortlichen Abschlussprüfer (siehe oben "*II.2. Abschlussprüfer/Gesetzliche Revisionsstelle der BJB*") haben die historischen Finanzinformationen der BJB für die am 31. Dezember 2020 und 31. Dezember 2021 geendeten Geschäftsjahre geprüft und jeweils ein uneingeschränktes Prüfungsurteil erteilt.

9. Wesentliche Veränderungen in der Finanzlage von BJB und ihren konsolidierten Tochtergesellschaften

Die Finanzlage der BJB und ihrer konsolidierten Tochtergesellschaften hat sich seit dem 31. Dezember 2021 nicht wesentlich verändert.

10. Wesentliche Änderungen in der Finanz- und Ertragslage von BJB und ihren konsolidierten Tochtergesellschaften

Die Finanz- und Ertragslage der BJB und ihrer konsolidierten Tochtergesellschaften hat sich seit dem 31. Dezember 2021 nicht wesentlich verändert.

11. Gerichts- und Schiedsverfahren betreffend die BJB

Mit Ausnahme der im folgenden offengelegten Verfahren bestanden im Zeitraum der letzten 12 Monate keine staatlichen Interventionen, Gerichts- oder Schiedsgerichtsverfahren (einschließlich derjenigen Verfahren, die nach Kenntnis von BJB noch anhängig sind oder eingeleitet werden könnten) bzw. wurden solche abgeschlossen, die sich erheblich auf die Finanzlage oder die Rentabilität von BJB und/oder ihrer konsolidierten Tochtergesellschaften auswirken bzw. in jüngster Zeit ausgewirkt haben.

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BJB is involved in various legal, regulatory and arbitration proceedings concerning matters arising within the course of normal business operations. The current business environment involves substantial legal and regulatory risks, the impact of which on the financial position or profitability of BJB – depending on the status of related proceedings – is difficult to assess.

BJB establishes provisions for pending and threatened legal proceedings if the management is of the opinion that such proceedings are more likely than not to result in a financial obligation or loss, or if the dispute for economic reasons should be settled without acknowledgment of any liability on the part of BJB and if the amount of such obligation or loss can be reasonably estimated.

In rare cases in which the amount cannot be estimated reliably due to the early stage of the proceedings, the complexity of the proceedings and/or other factors, no provision is recognized but the case is disclosed as a contingent liability as of 31 December 2021. These contingent liabilities might have a material effect on BJB.

Described below are certain proceedings that might have a material effect on BJB.

In 2010 and 2011, litigation was commenced against BJB and numerous other financial institutions by the liquidators of the Fairfield funds (the "**Fairfield Liquidators**"), having acted as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against BJB, the Fairfield Liquidators are seeking to recover a total amount of approximately USD 64 million in the courts of New York (including USD 17 million that relates to redemption payments made to clients of ING Bank (Suisse) SA, which merged with BJB in 2010 and USD 25 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with BJB in 2013. These claims have also been raised by BJB in connection with acquisition-related representation and warranties). The proceedings in the courts of the British Virgin Islands, where an amount of approximately USD 8.5 million have been claimed from BJB, were finally dismissed in favour of BJB with a ruling of the Privy Council, the highest court of appeals for the British Virgin Islands. In addition to the direct claims against BJB, the Fairfield Liquidators have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants. Only a fraction of this amount is sought against BJB and its beneficial owners. The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between BJB and the other defendants cannot be made at this time.

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BJB ist im Rahmen des normalen Geschäftsgangs in verschiedene rechtliche, regulatorische und Schiedsgerichtsverfahren involviert. Das gegenwärtige Geschäftsumfeld birgt substanzielle rechtliche und regulatorische Risiken, deren Einfluss auf die finanzielle Stärke oder Profitabilität der BJB - je nach Stand der entsprechenden Verfahren - schwierig abzuschätzen ist.

BJB bildet für laufende und drohende Verfahren Rückstellungen, konkret dann, wenn nach Meinung des Managements die Wahrscheinlichkeit besteht, dass solche Verfahren eine finanzielle Verpflichtung oder einen Verlust nach sich ziehen oder dass finanzielle Konflikte ohne Anerkennung einer Rechtspflicht seitens BJB beigelegt werden können, und wenn der Betrag einer solchen Verpflichtung oder eines Verlusts verlässlich abgeschätzt werden kann.

In vereinzelt Fällen, in welchen der Betrag nicht verlässlich abgeschätzt werden kann, dies z.B. auf Grund des frühen Stadiums der Verfahren, der Komplexität der Verfahren und/oder anderer Faktoren, wird keine Rückstellung gebildet, sondern eine Eventualverbindlichkeit per 31. Dezember 2021 für den Fall ausgewiesen. Diese Eventualverbindlichkeiten können eine erhebliche Auswirkung auf BJB haben.

Nachstehend sind bestimmte Verfahren aufgeführt, die möglicherweise eine erhebliche Auswirkung auf BJB haben können.

In den Jahren 2010 und 2011 wurde gegen BJB sowie zahlreiche weitere Finanzinstitute von den Insolvenzverwaltern der Fairfield-Fonds (die "**Fairfield Liquidatoren**"), letztere agierten als Feeder-Fonds für das betrügerische Anlagevehikel von B. Madoff) in New York und auf den Britischen Jungferninseln Klage eingereicht. Mit den direkt gegen BJB gerichteten Klagen verlangen die Fairfield Liquidatoren einen Gesamtbetrag von rund USD 64 Millionen vor Gerichten in New York (inklusive USD 17 Millionen welche mit Bezug auf Rückzahlungen an Kunden der ING Bank (Suisse) SA, welche 2010 mit BJB fusioniert wurde, geltend gemacht werden und inklusive USD 25 Millionen welche mit Bezug auf Rückzahlungen an Kunden der Merrill Lynch Bank (Suisse) SA, welche 2013 mit BJB fusioniert wurde, geltend gemacht werden. Diese Forderungen sind ebenfalls Gegenstand von vertragsrechtlichen Gewährleistungsansprüchen, welche die BJB geltend macht). Die Verfahren auf den Britischen Jungferninseln, im Rahmen deren ca. USD 8,5 Millionen von BJB gefordert werden, wurden zugunsten der BJB durch das höchste Gericht der Britischen Jungferninseln, das Privy Council, abgewiesen. Zusätzlich zu den direkten Klagen gegen BJB machen die Fairfield Liquidatoren kombinierte Ansprüche in Höhe von über USD 1,8 Milliarden gegenüber mehr als 80 Beklagten geltend. BJB und die Begünstigten werden nur auf einen Bruchteil dieses Betrags verklagt. Die kombinierten Ansprüche

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Finally, in further proceedings, the trustee of Madoff's broker-dealer company (the "**Trustee**") seeks to recover over USD 83 million in the courts of New York (including USD 46 million which relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with BJB in 2013, such claims being subject to the acquisition-related representations and warranties provisions), largely in relation to the same redemption payments which are the subject matter of the claims asserted by the Fairfield Liquidators. BJB is challenging these actions on procedural and substantive grounds and has taken further measures to protect its interests.

In the proceedings initiated by the Trustee, the Bankruptcy Court in New York dismissed the case against BJB and other defendants based on extraterritoriality principles in November 2016. The Trustee has appealed this decision and in February 2019, the Court of Appeal has reversed the decision by the Bankruptcy Court. The Supreme Court denied reviewing such decision, therefore the proceedings continue with the Bankruptcy Court. In the proceedings initiated by the Liquidators, the Bankruptcy Court in New York has decided on certain aspects in December 2018, which have been appealed by the Liquidators. The Bankruptcy Court has additionally decided on certain other aspects in BJB's favour in late 2020. That decision has been appealed as well. Both appeals have been consolidated and remain pending. Further, in October 2021, BJB filed a motion to dismiss for lack of personal jurisdiction. In response, the Liquidators requested jurisdictional discovery, the scope of which is yet to be defined.

BJB is confronted with a claim by the liquidator of a foreign corporation arguing that BJB did not prevent two of its clients from embezzling assets of the foreign corporation. In this context, the liquidator as of 2013 presented draft complaints with different claim amounts for a potential Swiss proceeding and filed a payment order ("**Betreibungsbegehren**") against BJB in the amount of CHF 422 million (plus accrued interest from 2009). On 8 February 2017, BJB has been served with a claim from said corporation (in liquidation) in the amount of EUR 306 million. The court proceeding against BJB has been initiated in the plaintiff's country of domicile in the European Union. Under the judgment dated 19. October 2018 the courts definitively held that the courts at the domicile of the plaintiff do not have jurisdiction over the matter, thereby terminating the litigation against BJB. On 1 July 2019, BJB was served with a conciliation request from the liquidator representing the assets of the foreign

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beinhalten die kumulierten Forderungen gegenüber allen Beklagten, sodass eine verlässliche Zuordnung der geltend gemachten Ansprüche zwischen BJB und den übrigen Beklagten derzeit nicht möglich ist. Schliesslich macht der Liquidator von Madoffs Effektenhändler-Gesellschaft (der "**Liquidator**") in weiteren Verfahren vor Gerichten in New York einen Anspruch von über USD 83 Millionen geltend (inklusive USD 46 Millionen, welche mit Bezug auf Rückzahlungen an Kunden der Merrill Lynch Bank (Suisse) SA, welche 2013 mit BJB fusioniert wurde, geltend gemacht werden, und welche Gegenstand vertragsrechtlicher Gewährleistungsansprüche der BJB sind), dies hauptsächlich im Zusammenhang mit denselben Rückzahlungen, welche auch von den Fairfield Liquidatoren eingeklagt wurden. BJB ficht die Klagen basierend auf verfahrensrechtlichen und materiellen Gründen an und hat weitere Maßnahmen zum Schutz ihrer Interessen ergriffen.

Das vom Liquidator initiierte Verfahren wurde vom Konkursgericht in New York im November 2016 aufgrund extraterritorialer Grundätze abgewiesen. Dieser Entscheid wurde vom Liquidator angefochten und im Februar 2019 hob das Appellationsgericht den Entscheid des Konkursgerichts auf. Der Supreme Court verweigerte eine Überprüfung des Entscheides, entsprechend wird das Verfahren vor dem Konkursgericht weitergeführt. In dem von den Liquidatoren initiierten Verfahren hat das Konkursgericht New York im Dezember 2018 erste Teilentscheide gefällt, welche wiederum angefochten wurden. Das Verfahren ist zwar noch hängig aber das Konkursgericht hat zusätzlich gewisse Teilentscheide zugunsten der BJB gefällt. Dieser Entscheid wurde ebenfalls angefochten. Beide Beschwerden wurden vereint und sind weiterhin hängig. Darüber hinaus hat BJB im Oktober 2021 einen Antrag zur Abweisung der Klage wegen fehlender persönlicher Zuständigkeit eingereicht. Daraufhin beantragten die Liquidatoren eine gerichtliche Offenlegung, deren Umfang noch zu definieren ist.

Der Liquidator einer ausländischen Gesellschaft macht geltend, BJB habe nicht verhindert, dass zwei Kunden Vermögenswerte dieser Gesellschaft veruntreuten. In diesem Zusammenhang stellte der Liquidator BJB Klageentwürfe über verschiedene Beträge für ein allfälliges Schweizer Verfahren zu und hat gegenüber der BJB Betreuung über den Betrag von CHF 422 Millionen (plus seit dem Jahr 2009 aufgelaufene Zinsen) eingeleitet. Am 8. Februar 2017 hat die vorgenannte Gesellschaft (in Liquidation) den Betrag von EUR 306 Millionen eingeklagt. Das Verfahren gegen BJB wurde am Sitz der Klägerin in der Europäischen Union eingereicht. Mit Entscheid vom 19. Oktober 2018 wurde die Zuständigkeit der Gerichte am Sitz des Klägers zugunsten der BJB endgültig. verneint, damit wurde der Rechtsstreit gegen BJB beendet. Am 1. Juli 2019 wurde der BJB ein Schlichtungsgesuch betreffend eine Forderung über EUR 335 Millionen plus Zinsen seit 2011 zugestellt, welches der die

II. BANK JULIUS BAER & CO. LTD., ZÜRICH

corporation in liquidation filed with the first instance court in Geneva, related to a claim of EUR 335 million plus accrued interest since 2011. On 8 January 2020, BJB was served with the corresponding claim in the amount of EUR 335 million plus 5% interest since December 2011. BJB is continuing to contest the claim whilst taking appropriate measures to defend its interests.

In the context of an investigation against a former client regarding alleged participation in an environmental certificate trading related tax fraud in France, a formal procedure into suspected lack of due diligence in financial transactions has been initiated against BJB in June 2014 and been dismissed for formal reasons by a Court Order in March 2017. The deposit in the amount of EUR 3.75 million made in October 2014 by BJB with the competent French court as a precautionary measure representing the maximal possible fine was accordingly reimbursed to BJB. However, in July 2019, the same amount was deposited again, as in July 2017, a new procedure with respect to the same matter was initiated against BJB. In May 2020, following an application by the prosecutor, the court admitted a new indictment against BJB in this matter. A trial in the matter took place in December 2021 at which a fine of EUR 5 million and a restitution amount of EUR 2 million was proposed to be charged against BJB. The competent court of First Instance is expected to render its decision in March 2022. BJB has cooperated with the French authorities within the confines of applicable laws to clarify the situation and to protect its interests.

BJB is confronted with a claim by a former client arguing that BJB initiated transactions without appropriate authorizations and that BJB has not adhered to its duties of care, trust, information and warnings. In April 2015, the former client presented a complaint for an amount of USD 70 million (plus accrued interest) and Brazilian Real (BRL) 24 million, which, in January 2017, he supported with a payment order ("*Betreibungsbegehren*") in various currencies filed against BJB in the total amount of approximately CHF 91.3 million (plus accrued interest). Since December 2017, BJB has received yearly payment orders in various currencies in the total amount of currently approximately CHF 139 million (plus accrued interest), which has been renewed yearly thereafter. BJB is contesting the claim whilst taking appropriate measures to defend its interests.

II. BANK JULIUS BÄR & CO. AG, ZÜRICH

Konkursmasse vertretende Liquidator beim erstinstanzlichen Gericht Genf eingereicht hatte. Am 8. Januar 2020 wurde der BJB eine entsprechende Klage in der Höhe von EUR 335 Millionen plus 5% Zins seit Dezember 2011 zugestellt. BJB bestreitet die Forderung und hat angemessene Massnahmen zum Schutz ihrer Interessen getroffen.

In Frankreich wurde im Zusammenhang mit Untersuchungen gegen einen ehemaligen Kunden wegen möglicher Beteiligung an einem Abgabebetrug im Zusammenhang mit dem Handel von Umweltzertifikaten im Juni 2014 ein formelles Verfahren gegen BJB wegen Verdachts auf mangelnde Sorgfalt bei Finanzgeschäften eröffnet und aus verfahrensrechtlichen Gründen durch einen Gerichtsentscheid im März 2017 abgewiesen. Die von BJB im Oktober 2014 beim zuständigen Gericht hinterlegte Kautions im Betrag von EUR 3,75 Millionen als vorsorgliche Massnahme, im Umfang der höchstmöglichen Busse, wurde an BJB zurückbezahlt. Im Juli 2019 wurde jedoch derselbe Betrag erneut hinterlegt, als im Juli 2017 ein neues Verfahren in gleicher Sache gegen BJB eingeleitet wurde. Im Mai 2020 nach einem Antrag der Strafverfolgungsbehörde hat das Gericht eine neue Anklage gegen die BJB in dieser Sache zugelassen. Im Dezember 2021 fand ein Verfahren in dieser Angelegenheit statt, bei der eine Geldstrafe in Höhe von EUR 5 Millionen und eine Ersatzzahlung von EUR 2 Millionen gegen BJB beantragt wurde. Das zuständige erstinstanzliche Gericht wird in dieser Sache eine Entscheidung voraussichtlich im März 2022 fällen. BJB hat mit den französischen Untersuchungsbehörden zwecks Aufklärung des Sachverhalts und Wahrnehmung ihrer Interessen im Rahmen der gesetzlichen Möglichkeiten kooperiert.

Ein ehemaliger Kunde der BJB macht geltend, dass die BJB ohne gültige Aufträge Transaktionen vorgenommen und ihre Sorgfalts-, Treue- sowie Informations- und Abmahnungspflichten verletzt habe. In diesem Zusammenhang machte der ehemalige Kunde im April 2015 eine Forderung in der Höhe von USD 70 Millionen (plus Zinsen) und Brasilianische Real (BRL) 24 Millionen geltend. Im Januar 2017 reichte er diesbezüglich ein Betreibungsbegehren in verschiedenen Währungen gegen BJB im Gesamtbetrag von ca. CHF 91,3 Millionen (zuzüglich aufgelaufenen Zinsen) ein. Seit Dezember 2017 wurde gegen die BJB ein jährliches Betreibungsbegehren in verschiedenen Währungen eingereicht im Gesamtbetrag von derzeit ca. CHF 139 Millionen (zuzüglich aufgelaufenen Zinsen), welches seither jährlich erneuert wurde. BJB bestreitet die Forderung und hat angemessene Massnahmen zum Schutz ihrer Interessen getroffen.

II. BANK JULIUS BAER & CO. LTD., ZÜRICH

In November 2014, BJB was served in Geneva with a claim by an investment fund, acting on its behalf and on behalf of three other funds in the total amount of USD 29 million (plus accrued interests). The funds were former clients of Bank of China (Suisse) SA, which was acquired by BJB in 2012. Additionally, in October 2015, the claimant filed an amendment of claim in court, by which a further USD 39 million was claimed. In March 2017, the claimant reduced the total claimed amount to USD 44.6 million. The claimant argues that Bank of China (Suisse) SA acted not only as a custodian bank, but also as secured creditor and manager of the funds, and tolerated excess in leverage. It claims that the funds suffered a severe loss as a consequence the liquidation of almost their entire portfolio of assets in May 2010 and argues that this liquidation was performed by Bank of China (Suisse) SA without the consent of the funds' directors and was ill-timed, disorderly and occurred in exceptionally unusual market conditions. BJB is contesting the claim whilst taking appropriate measures to defend its interests. In addition, such claims in principle are subject to acquisition-related contractual claims due representations and warranties granted by the seller.

Similarly BJB has received inquiries from, and has been cooperating with, authorities in Switzerland and the USA investigating corruption and bribery allegations surrounding Petr leos de Venezuela S.A. (PDVSA). These requests in particular focus on persons named in the indictment 'United States of America v. Francisco Convit Guruceaga, et al.' of 23 July 2018. The authorities in Switzerland and abroad have, in addition to the corruption and bribery allegations against third parties, opened investigations and are inquiring whether financial institutions failed to observe due diligence standards as applied in financial services and in particular in the context of anti-money laundering laws in relation to suspicious and potentially illegal transactions. FINMA's related enforcement procedure against BJB was closed by an order as published on 20 February 2020. BJB has been supporting related inquiries and investigations and has been cooperating with the competent authorities. In the meantime, FINMA also lifted an acquisition ban at the end of March 2021 initially imposed with the closing of the enforcement procedure in February 2020. Related to the PDVSA matter, in November 2019, a former employee has filed a labour law-based claim in the amount of USD 34.1 million in Venezuela against several Julius Baer companies combined with a respective precautionary seizure request in the double amount. BJB is contesting the claim and seizure request while taking appropriate measures to defend its interests.

II. BANK JULIUS B R & CO. AG, Z RICH

Ein Investmentfonds, handelnd in eigenem Namen und im Auftrag dreier anderer betroffener Fonds hat die BJB im November 2014 in Gen  in der H he von insgesamt rund USD 29 Millionen (plus Zinsen) eingeklagt. Die Fonds waren ehemalige Kunden der Bank of China (Suisse) SA, die in 2012 von der BJB  bernommen wurde. Zus tzlich reichte der Kl ger im Oktober 2015 eine Klage nderung ein, mittels welcher weitere rund USD 39 Millionen gefordert wurden. Im M rz 2017 hat der Kl ger den Gesamtbetrag der Klage auf USD 44,6 Millionen reduziert. Der Kl ger macht geltend, dass die Bank of China (Suisse) SA nicht nur als Depotbank kollektivanlagerechtlich, sondern auch als besicherter Gl ubiger und Verwalter der Fonds,  berm ssige Hebelwirkung (Leverage) zugelassen habe. Weiter behauptet der Kl ger, dass der Fonds auf Grund der Liquidation des beinahe ganzen Portfolios im Mai 2010 bedeutende Verluste erlitten habe und diese Liquidation durch die Bank of China (Suisse) S.A. ohne Zustimmung der Direktoren des Fonds unzeitgem ss, ordnungswidrig und in aussergew hnlich un blichen Marktverh ltnissen erfolgt sei. BJB bestreitet die Forderung und hat Massnahmen zum Schutz ihrer Interessen getroffen. Zus tzlich sind diese Forderungen grunds tzlich Gegenstand von akquisitionsbezogenen, vertragsrechtlichen Gew hrleistungsanspr chen aufgrund durch die Verk uferin abgegebener Zusicherungen.

BJB hat ebenfalls Anfragen von Beh rden erhalten, welche die Korruptions- und Bestechungsvorw rfe um die Petr leos de Venezuela S.A. (PDVSA) in der Schweiz und den USA untersuchen. Die Anfragen beziehen sich insbesondere auch auf Personen, die im sogenannten Indictment 'United States of America v. Francisco Convit Guruceaga, et al.' of 23 July 2018 genannt sind. Die Beh rden in der Schweiz und im Ausland untersuchen, ob Finanzinstitute im Zusammenhang mit verd chtigen und potenziell widerrechtlichen Transaktionen die anwendbaren Sorgfaltsstandards insbesondere mit Bezug auf die Geldw schevorschriften eingehalten haben. Das betreffende FINMA Enforcement-Verfahren gegen die BJB wurde mit der am 20. Februar 2020 ver ffentlichten Verf gung abgeschlossen. BJB hat die damit verbundenen Ermittlungen und Untersuchungen unterst tzt und mit den zust ndigen Beh rden kooperiert. Dar ber hinaus hob die FINMA Ende M rz 2021 ein urspr nglich im Zusammenhang mit dem Abschluss des Enforcement Verfahrens im Februar 2020 verh ngtes Akquisitionsverbot auf. Im Zusammenhang mit dem PDVSA Fall hat ein ehemaliger Mitarbeiter eine arbeitsrechtliche Klage mit einer Forderung von USD 34.1 Millionen und ein vorsorgliches Arrestbegehren in doppelter H he in Venezuela gegen verschiedene Julius B r Gruppengesellschaften eingereicht. BJB bestreitet die Forderung und das Arrestbegehren und hat angemessene Massnahmen zum Schutz ihrer Interessen getroffen.

II. BANK JULIUS BAER & CO. LTD., ZÜRICH

BJB was confronted with a Swiss court procedure in which a client, in the context of a mature loan arrangement, requests the release of certain assets, which have been blocked by the Bank and third-party custodians and their sub-custodians under US Office of Foreign Assets Control ("OFAC") sanctions. The procedure related to questions of applicability and enforceability of international sanctions and orders under local Swiss law. BJB was defending its position in the context of its regulatory duties to respect international orders and sanctions and abide by its contractual agreements with third-party custody banks. The competent court has decided in favour of BJB in November 2020 and the Swiss Federal Supreme Court has ultimately confirmed such decision in August 2021. In the same context, against the background of recent political and regulatory intensification of the topic of international sanctions, BJB had addressed this issue with the OFAC with which it is also in resumed discussion to resolve certain open issues with regard to historic compliance with OFAC regulations. A resolution in the latter legacy matter is expected to be reached in 2022.

In May 2021, BJB became aware that a Writ of Summons ("the Writ") had been registered against it at the Registry of the High Court of the Hong Kong Special Administrative Region, Court of First Instance. The Writ had been filed by SRC International (Malaysia) Limited ("SRC") claiming the sum of approximately USD 112 million from BJB, alleging BJB was in breach of its fiduciary duty of care by accepting and processing payment instructions for the transfer of funds during the period 25 October 2013 to September 2016. BJB is contesting such civil claim and will take all appropriate measures to defend its interests in this matter.

12. Material Contracts

There are no material contracts that are not entered into in the ordinary course of BJB's business which could result in BJB (including its affiliates) being under an obligation or entitlement that is material to BJB's ability to meet its obligations to security holders in respect of the securities being issued.

13. Rating

As of the date of this Registration Document, Moody's assigned ratings to BJB is as follows:

Long-Term Senior Unsecured and Issuer Rating: A2.

If above reference is made to the "long-term" rating then

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Im Rahmen eines Schweizer Gerichtsverfahrens im Zusammenhang mit einem Kreditvertrag verlangte ein Kunde von der BJB die Freigabe von gewissen Vermögenswerten, die von der BJB und anderen Drittverwahrstellen unter den US Office of Foreign Assets Control ("OFAC") Sanktionen blockiert wurden. Das Verfahren bezieht sich auf die Frage der Anwendbarkeit und Durchsetzbarkeit von internationalen Sanktionen und Anordnungen in der Schweiz. Die BJB verteidigte ihre Position und machte geltend sie habe internationale Sanktionen und ihre vertraglichen Abreden mit Drittverwahrstellen einzuhalten. Das zuständige Gericht hat im November 2020 einen Entscheid zugunsten der BJB gefällt. Das Bundesgericht hat diesen Entscheid im August 2021 endgültig bestätigt. In diesem Zusammenhang und im Lichte der aktuellen politischen und regulatorischen Intensivierung der Diskussionen um das Thema der internationalen Sanktionen hatte BJB den Fall mit OFAC aufgenommen, mit welchem des Weiteren Gespräche hinsichtlich noch hängige historische Fälle betreffend die Nichteinhaltung von OFAC Regularien weitergeführt werden. Eine Klärung dieser Angelegenheit wird im Jahr 2022 erwartet.

Im Mai 2021 erlangte BJB davon Kenntnis, dass beim erstinstanzlichen High Court of the Hong Kong Special Administrative Region eine Klage (die "Klage") gegen sie eingereicht wurde. Die Klage wurde von SRC International (Malaysia) Limited ("SRC") eingereicht, mit der die SRC einen Betrag von USD 112 Millionen fordert und geltend macht, die BJB habe ihre Sorgfaltspflicht verletzt, indem sie in der Zeit zwischen 25. Oktober 2013 und September 2016 verschiedene Zahlungsaufträge akzeptierte und ausführte. BJB bestreitet die Forderung und wird angemessene Maßnahmen zum Schutz ihrer Interessen treffen.

12. Wesentliche Verträge

Es gibt keine wesentlichen Verträge, die nicht im Rahmen der normalen Geschäftstätigkeit abgeschlossen wurden und die dazu führen könnten, dass BJB (einschließlich ihrer Tochtergesellschaften) eine Verpflichtung oder ein Recht erlangt, die bzw. das für die Fähigkeit der BJB, ihren Verpflichtungen gegenüber den Wertpapierinhabern in Bezug auf die ausgegebenen Wertpapiere nachzukommen, von wesentlicher Bedeutung ist.

13. Rating

Zum Datum dieses Registrierungsformulars, bewertet Moody's die Bank Julius Bär & Co. AG wie folgt:

Rating für langfristige, nicht nachrangige, ungesicherte Schuldtitel und Emittentenrating: A2.

Sofern sich das vorgenannte Rating auf "langfristig"

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this expresses an opinion of the ability of BJB to honor long-term senior unsecured financial obligations and contracts. The rating has the following meaning:

Moody's: A*: Obligations rated A are considered upper-medium grade and are subject to low credit risk.

* Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Moody's is a credit rating agency established in the European Union and is registered in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended by Regulation (EU) No 513/2011, and is listed in the list of registered rating agencies of the European Securities and Markets Authority at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>.

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bezieht, wird damit eine Meinung über die Fähigkeit der BJB, ihre langfristigen vorrangigen unbesicherten Finanzverbindlichkeiten und vertraglichen Verpflichtungen aus Finanzgeschäften zu erfüllen, ausgedrückt. Das Rating hat die folgende Bedeutung:

Moody's: A*: A geratete Verbindlichkeiten werden der "oberen Mittelklasse" zugerechnet und bergen ein geringes Kreditrisiko.

* Moody's verwendet in den Ratingkategorien "Aa" bis "Caa" zusätzlich numerische Unterteilungen. Der Zusatz "1" bedeutet, dass eine entsprechend bewertete Verbindlichkeit in das obere Drittel der jeweiligen Ratingkategorie einzuordnen ist, während "2" und "3" das mittlere bzw. untere Drittel anzeigen.

Moody's ist eine Ratingagentur mit Sitz in der Europäischen Union und ist im Einklang mit der Verordnung (EG) Nr. 1060/2009 des Europäischen Parlaments und des Rates vom 16. September 2009 über Ratingagenturen, abgeändert durch die Verordnung (EU) Nr. 513/2011, registriert und in der Liste der registrierten Ratingagenturen der Europäischen Wertpapier- und Marktaufsichtsbehörde unter <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs> aufgeführt.

III. GENERAL INFORMATION

1. Statement on the BaFin approval

BJB hereby states that:

- a) this Registration Document has been approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* ("**BaFin**"), as competent authority under Regulation (EU) 2017/1129;
- b) BaFin only approves this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129;
- c) such approval should not be considered as an endorsement of BJB that is the subject of this Registration Document.

2. Responsibility statement

Bank Julius Baer & Co. Ltd., Bahnhofstrasse 36, 8001 Zurich, Switzerland (acting itself or acting through its Guernsey Branch, No. 1, The Plaza, Elizabeth Avenue, Admiral Park, P.O. Box 87, St. Peter Port, GBG-Guernsey GY1 4 BS), as BJB accepts responsibility for the information provided in this Registration Document pursuant to Section 8 WpPG in connection with Article 11 paragraph 1 sentence 2 of the Prospectus Regulation.

BJB declares that, to the best of its knowledge, the information contained in this Registration Document is in accordance with the facts and that the Registration Document makes no omission likely to affect its import.

3. Notification

BJB has requested BaFin to notify the competent authority in Austria, Lichtenstein, Luxembourg and Ireland in relation to this Registration Document with a certificate of approval (a "**Notification**") attesting that this Registration Document has been drawn up in accordance with the Prospectus Regulation and providing it with an electronic copy of this Registration Document. BJB may request BaFin to provide a Notification to competent authorities in additional member states within the European Economic Area.

III. ALLGEMEINE INFORMATIONEN

1. Hinweis zur Billigung durch die BaFin

BJB erklärt hiermit, dass

- a) dieses Registrierungsformular durch die Bundesanstalt für Finanzdienstleistungsaufsicht ("**BaFin**") als zuständige Behörde gemäß der Verordnung (EU) 2017/1129 billigt wurde;
- b) die BaFin dieses Registrierungsformular nur bezüglich der Standards der Vollständigkeit, Verständlichkeit und Kohärenz gemäß der Verordnung (EU) 2017/1129 billigt;
- c) eine solche Billigung nicht als eine Befürwortung der BJB, die Gegenstand dieses Registrierungsformulars ist, erachtet werden sollte.

2. Verantwortlichkeitserklärung

Die Bank Julius Bär & Co. AG, Bahnhofstrasse 36, 8001 Zürich, Schweiz (selbst handelnd oder durch ihre Zweigniederlassung Guernsey, No. 1, The Plaza, Elizabeth Avenue, Admiral Park, P.O. Box 87, St. Peter Port, GBG-Guernsey GY1 4 BS), BJB übernimmt nach § 8 WpPG i.V.m Artikel 11 Absatz 1 Satz 2 der Prospektverordnung die Verantwortung für die in diesem Registrierungsformular gemachten Angaben.

Die BJB erklärt, dass nach ihrem Wissen die in diesem Registrierungsformular enthaltenen Angaben richtig sind und keine Auslassungen enthält die die Aussage des Registrierungsformulars verzerren können.

3. Notifizierung

Die BJB hat bei der BaFin die Übermittlung einer Bescheinigung über die Billigung (eine "**Notifizierung**") an die zuständigen Behörden in Österreich, Liechtenstein und Luxemburg in Bezug auf dieses Registrierungsformulars, aus dem hervorgeht, dass dieses Registrierungsformular im Einklang mit der Prospektverordnung erstellt wurde sowie die Übermittlung einer elektronischen Kopie dieses Registrierungsformulars, beantragt. Die BJB kann bei der BaFin eine Notifizierung an die zuständigen Behörden in weiteren Mitgliedstaaten des Europäischen Wirtschaftsraums beantragen.

III. GENERAL INFORMATION

4. Publication and validity of the Registration Document

This Registration Document shall be valid for twelve (12) months after its approval by BaFin; this Registration Document solely represents the status of the information contained in it at the time of its approval.

BJB may choose to produce a new registration document to replace this Registration Document whenever significant new information regarding the Issuer is available.

This Registration Document does not constitute an offer to sell or the solicitation of an offer to buy any security or to enter into any agreement and BJB is not soliciting any action based upon it. Nobody has been authorised by BJB to release more information or confirmations than provided in this Registration Document. If those information and confirmations are still given, investors should not rely on them as if they were authorised by BJB.

5. Documents Available

Copies of the following documents can be ordered free of charge from or will be available, during usual business hours, for inspection at Bank Julius Baer & Co. Ltd., Bahnhofstrasse 36, 8001 Zurich, Switzerland and may be inspected on the respective website indicated below:

- Articles of Association of Bank Julius Baer & Co. Ltd.*;
- BJB Consolidated Financial Statements 2020**;
- BJB Consolidated Financial Statements 2021**;
- and
- BJB Financial Statements 2021**.

* The document may be inspected on the following website:

<https://derivatives.juliusbaer.com/home/restricted/de/basisprospekte>

** The document may be inspected on the following website: <https://www.juliusbaer.com/en/media-investors/financial-information/financial-reporting/>

III. ALLGEMEINE INFORMATIONEN

4. Veröffentlichung und Gültigkeit des Registrierungsformulars

Dieses Registrierungsformular ist gültig für einen Zeitraum von zwölf (12) Monaten nach seiner Billigung durch die BaFin. Das Registrierungsformular gibt lediglich den Stand der in ihm enthaltenen Informationen zum Zeitpunkt seiner Billigung wieder.

Die BJB kann zu jeder Zeit, zu der maßgebliche neue Informationen über die Emittentin verfügbar sind, ein neues Registrierungsformular erstellen, um dieses Registrierungsformular zu ersetzen.

Das Registrierungsformular beinhaltet weder ein Angebot zum Verkauf noch eine Aufforderung zur Abgabe eines Angebots, Wertpapiere zu kaufen, oder einen Vertrag abzuschließen und BJB fordert zu keiner darauf basierenden Handlung auf. Keine andere Person ist von BJB autorisiert worden, über dieses Registrierungsformular hinausgehende Informationen oder Bestätigungen zu veröffentlichen. Sollten solche Informationen oder Bestätigungen dennoch erteilt werden, sollten Investoren auf diese nicht so vertrauen, als wären sie von BJB genehmigt.

5. Verfügbare Dokumente

Kopien der folgenden Dokumente können zu den üblichen Geschäftszeiten bei Bank Julius Bär & Co. AG, Bahnhofstrasse 36, 8001 Zürich, Schweiz eingesehen oder kostenfrei angefordert werden und kann auf den nachfolgend aufgeführten Webseiten eingesehen werden:

- Statuten der Bank Julius Bär & Co. AG*;
- BJB Konsolidierte Finanzinformationen 2020**;
- BJB Konsolidierte Finanzinformationen 2021**, und
- BJB Finanzinformationen 2021**.

* Das Dokument kann auf der folgenden Website eingesehen werden:

<https://derivatives.juliusbaer.com/home/restricted/de/basisprospekte>

** Das Dokument kann auf der folgenden Website eingesehen werden:

<https://www.juliusbaer.com/en/media-investors/financial-information/financial-reporting/>

III. GENERAL INFORMATION

III. ALLGEMEINE INFORMATIONEN

6. Information Incorporated by reference

The following information contained in the Registration Document of BJB dated 4 June 2021 is incorporated by reference into this Registration Document in accordance with Article 19 (1)(a) of the Prospectus Regulation and forms part of this Registration Document:

Information*	Page of the Registration Document dated 4 June 2021**	Incorporated into this Registration Document on the following pages:
BJB Consolidated Financial Statements 2020		36
Consolidated Income Statement	I-1	36
Consolidated Statement of Comprehensive Income	I-2	36
Consolidated Balance Sheet	I-3 and I-4	36
Consolidated Statement of Changes in Equity	I-5 and I-6	36
Consolidated Statement of Cash Flows	I-7 and I-8	36
Notes	I-38 to I-104	36
Auditor's Report	I-105 to I-107	36

* The non-incorporated parts of the document are either not relevant for the investor or are covered elsewhere in this Registration Document.

** The Registration Document of the Issuer dated 4 June 2021 has been approved by BaFin and has been published on the website of BJB (<https://derivatives.juliusbaer.com/>) in section "Base Prospectus", "Programme for the issuance of derivatives 2020/2021") and can be downloaded by clicking on this [link](#).

6. Mittels Verweis Aufgenommene Angaben

Die folgenden Angaben aus dem Registrierungsformular der BJB vom 4. Juni 2021 werden gemäß Artikel 19 (1)(a) der Prospektverordnung mittels Verweis in dieses Registrierungsformular aufgenommen und sind Bestandteil dieses Registrierungsformulars:

Information*	Seite des Registrierungsformulars vom 4. Juni 2021**	Aufgenommen in dieses Registrierungsformular auf den folgenden Seiten
BJB Konsolidierte Finanzinformationen 2020		36
Konsolidierte Gewinn- und Verlustrechnung	I-1	36
Konsolidierte Gesamtergebnisrechnung	I-2	36
Konsolidierte Bilanz	I-3 und I-4	36
Konsolidierte Eigenkapitalveränderungsrechnung	I-5 und I-6	36
Konsolidierte Kapitalflussrechnung	I-7 und I-8	36
Anhang	I-38 bis I-104	36
Bestätigungsvermerk der Abschlussprüfer	I-105 bis I-107	36

* Die nicht mittels Verweis aufgenommenen Teile eines Dokuments sind entweder für den Anleger nicht relevant oder sind an anderer Stelle im Prospekt enthalten.

** Das Registrierungsformular vom 4. Juni 2021 wurde von der BaFin gebilligt und wurde im Internet auf der Seite der BJB veröffentlicht (<https://derivatives.juliusbaer.com/>) unter "Basisprospekte", "Emissionsprogramme für Derivate 2020/2021") und kann durch klicken auf diesen [Link](#) heruntergeladen werden.

IV. BJB CONSOLIDATED FINANCIAL STATEMENTS

IV. BJB KONSOLIDIERTE FINANZINFORMATIONEN

IV. BJB Consolidated Financial Statements as at 31 December 2021

Consolidated Income Statement	K-1
Consolidated Statement of Comprehensive Income	K-2
Consolidated Balance Sheet	K-3
Consolidated Statement of Changes in Equity	K-5
Consolidated Statement of Cash Flows	K-7
Notes	K-22
Auditors Report	K-91

IV. BJB Konsolidierte Finanzinformationen zum 31. Dezember 2021

Konsolidierte Gewinn- und Verlustrechnung	K-1
Konsolidierte Gesamtergebnisrechnung	K-2
Konsolidierte Bilanz	K-3
Konsolidierte Eigenkapitalveränderungsrechnung	K-5
Konsolidierte Kapitalflussrechnung	K-7
Anhang	K-22
Bestätigung der Wirtschaftsprüfers	K-91

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	2021 CHF 1,000	2020 CHF 1,000	Change %
Interest income on financial instruments measured at amortised cost or FVOCI		670,388	744,572	-10.0
Interest expense on financial instruments measured at amortised cost		93,111	179,678	-48.2
Net interest income	1	577,277	564,894	2.2
Commission and fee income		2,119,898	1,861,412	13.9
Commission expense		576,458	505,086	14.1
Net commission and fee income	2	1,543,440	1,356,326	13.8
Net income from financial instruments measured at FVTPL		834,363	832,475	0.2
Net credit losses/(recoveries) on financial assets		7,095	35,958	-80.3
Other ordinary results	3	106,792	85,820	24.4
Operating income		3,054,777	2,803,557	9.0
Personnel expenses	4	1,207,283	1,187,221	1.7
General expenses	5	698,472	701,622	-0.4
Depreciation of property and equipment	10	66,524	72,474	-8.2
Amortisation of customer relationships	11	32,220	32,220	-
Amortisation and impairment of intangible assets	11	97,105	76,905	26.3
Operating expenses		2,101,604	2,070,442	1.5
Profit before taxes		953,173	733,115	30.0
Income taxes	6	145,542	119,348	21.9
Net profit attributable to the shareholder of Bank Julius Baer & Co. Ltd.		807,631	613,767	31.6
	Note	2021 CHF	2020 CHF	Change %
Share information				
Basic earnings per share (EPS)	18	140.46	106.74	31.6
Diluted earnings per share (EPS)	18	140.46	106.74	31.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2021 CHF 1,000	2020 CHF 1,000
Net profit recognised in the income statement	807,631	613,767
Other comprehensive income (net of taxes):		
Items that may be reclassified to the income statement		
Net unrealised gains/(losses) on debt instruments measured at FVOCI	-101,202	105,313
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	-9,257	-15,204
Effective portion of changes in fair value of hedging instruments designated as cash flow hedges	-8,665	-
Items that will not be reclassified to the income statement		
Net unrealised gains/(losses) on equity instruments designated at FVOCI	31,484	-11,382
Gains/(losses) from own credit risk on financial liabilities designated at fair value	3,086	-3,895
Remeasurement of defined benefit obligation	53,381	32,960
Other comprehensive income	-31,173	107,792
Total comprehensive income attributable to the shareholder of Bank Julius Baer & Co. Ltd.	776,458	721,559

CONSOLIDATED BALANCE SHEET

	Note	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000
Assets			
Cash		17,275,368	12,095,674
Due from banks		5,101,477	7,258,188
Loans	25	46,399,021	43,394,815
Financial assets measured at FVTPL	8/24	14,681,191	13,557,552
Derivative financial instruments	23	2,097,032	2,576,313
Financial assets designated at fair value	24	306,896	252,178
Financial assets measured at FVOCI	9/25	13,231,518	13,653,013
Property and equipment	10	425,233	469,044
Goodwill and other intangible assets	11	2,243,999	2,205,318
Accrued income and prepaid expenses		333,893	296,472
Deferred tax assets	15	2,413	-
Other assets	17	7,354,715	6,337,280
Total assets		109,452,756	102,095,847

FINANCIAL STATEMENTS IFRS BANK JULIUS BAER & CO. LTD. 2021
CONSOLIDATED FINANCIAL STATEMENTS

	Note	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000
Liabilities and equity			
Due to banks		8,011,604	8,519,471
Due to customers		75,458,607	69,842,674
Financial liabilities measured at FVTPL	8/24	749,539	896,520
Derivative financial instruments	23	2,681,363	2,710,008
Financial liabilities designated at fair value	13	14,459,003	13,154,769
Debt issued	14	774,308	-
Accrued expenses and deferred income		563,622	501,393
Current tax liabilities		263,761	192,066
Deferred tax liabilities	15	66,019	56,136
Provisions	16	73,787	90,443
Other liabilities	17	266,604	461,576
Total liabilities		103,368,217	96,425,056
Share capital	18	575,000	575,000
Capital reserves		1,931,051	1,931,051
Retained earnings		3,423,534	2,925,232
Other components of equity		154,954	239,508
Total equity attributable to shareholder of Bank Julius Baer & Co. Ltd.		6,084,539	5,670,791
Total liabilities and equity		109,452,756	102,095,847

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital CHF 1,000	Capital reserves CHF 1,000	Retained earnings CHF 1,000
At 1 January 2020	575,000	1,931,051	2,628,706
Net profit	-	-	613,767
Items that may be reclassified to the income statement	-	-	-
Items that will not be reclassified to the income statement	-	-	33,178
Total other comprehensive income	-	-	33,178
Total comprehensive income	-	-	646,945
Dividend payment	-	-	-350,000
Share-based payments expensed for the year	-	-	52,495
Distribution to the parent related to share-based payments for the year	-	-	-52,914
At 31 December 2020	575,000	1,931,051	2,925,232
At 1 January 2021	575,000	1,931,051	2,925,232
Net profit	-	-	807,631
Items that may be reclassified to the income statement	-	-	-
Items that will not be reclassified to the income statement	-	-	53,381
Total other comprehensive income	-	-	53,381
Total comprehensive income	-	-	861,012
Dividend payment	-	-	-360,000
Share-based payments expensed for the year	-	-	63,145
Distribution to the parent related to share-based payments for the year	-	-	-65,855
At 31 December 2021	575,000	1,931,051	3,423,534

FINANCIAL STATEMENTS IFRS BANK JULIUS BAER & CO. LTD. 2021
CONSOLIDATED FINANCIAL STATEMENTS

Other components of equity				Total equity attributable to shareholder of Bank Julius Baer & Co. Ltd. CHF 1,000
OCI related to equity instruments at FVOCI CHF 1,000	OCI related to debt instruments at FVOCI CHF 1,000	Cash Flow hedges CHF 1,000	Own credit risk on financial liabilities designated at FV CHF 1,000	
131,997	32,897	-	-	5,299,651
-	-	-	-	613,767
-	90,109	-	-	90,109
-11,600	-	-	-3,895	17,683
-11,600	90,109	-	-3,895	107,792
-11,600	90,109	-	-3,895	721,559
-	-	-	-	-350,000
-	-	-	-	52,495
-	-	-	-	-52,914
120,397	123,006	-	-3,895	5,670,791
120,397	123,006	-	-3,895	5,670,791
-	-	-	-	807,631
-	-110,459	-8,665	-	-119,124
31,484	-	-	3,086	87,951
31,484	-110,459	-8,665	3,086	-31,173
31,484	-110,459	-8,665	3,086	776,458
-	-	-	-	-360,000
-	-	-	-	63,145
-	-	-	-	-65,855
151,881	12,547	-8,665	-809	6,084,539

CONSOLIDATED STATEMENT OF CASH FLOWS

	2021 CHF 1,000	2020 CHF 1,000
Net profit	807,631	613,767
Adjustments to reconcile net profit to cash flow from/(used in) operating activities:		
Non-cash items included in net profit and other adjustments:		
- Depreciation of property and equipment	66,524	72,474
- Amortisation and impairment of intangible assets	129,325	109,125
- Change in loss allowance	7,095	35,958
- Deferred tax expense/(benefit)	-4,924	380
- Net loss/(gain) from investing activities	-4,274	-679
- Net loss/(gain) from financing activities	205	-
- Other non-cash income and expenses	63,145	52,495
Net increase/decrease in operating assets and liabilities:		
- Net due from/to banks	325,900	-3,103,922
- Net financial assets measured at FVTPL and derivative financial instruments	-873,608	236,425
- Net loans/due to customers	2,592,524	5,801,913
- Issuance and repayment of financial liabilities designated at fair value	1,306,226	-130,206
- Accrued income, prepaid expenses and other assets	-1,054,849	-2,650,931
- Accrued expenses, deferred income, other liabilities and provisions	-88,301	-185,792
Adjustment for income tax expenses	150,466	118,968
Income taxes paid	-78,690	-100,453
Cash flow from operating activities	3,344,395	869,522
Purchase of property and equipment and intangible assets	-187,602	-170,392
Disposal of property and equipment and intangible assets	-	7
Net (investment in)/divestment of financial assets measured at FVOCI	1,280,891	3,470,995
Cash flow from investing activities	1,093,289	3,300,610
Dividend payments	-360,000	-350,000
Distribution to the parent related to share-based payments for the year	-65,855	-52,914
Issuance of long-term debt, including financial liabilities designated at fair value	806,945	-
Cash flow from financing activities	381,090	-402,914
Net (decrease)/increase in cash and cash equivalents	4,818,774	3,767,218
Cash and cash equivalents at the beginning of the year	19,660,784	15,978,114
Cash flow from operating activities	3,344,395	869,522
Cash flow from investing activities	1,093,289	3,300,610
Cash flow from financing activities	381,090	-402,914
Effects of exchange rate changes on cash and cash equivalents	-17,613	-84,548
Cash and cash equivalents at the end of the year	24,461,945	19,660,784

Cash and cash equivalents are structured as follows:

	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000
Cash	17,275,368	12,095,674
Debt instruments measured at fair value through other comprehensive income (original maturity of less than three months)	2,687,804	1,743,440
Due from banks (original maturity of less than three months)	4,498,773	5,821,670
Total	24,461,945	19,660,784

	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000
Additional information		
Interest received	617,140	815,688
Interest paid	-50,813	-300,590
Dividends on equities received	207,848	231,489

	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000
Leasing		
Cash payments – leases	-38,948	-33,249
Cash payments – interest paid	-3,740	-4,527
Short-term lease payments	-536	-640
Total	-43,224	-38,416

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Bank Julius Baer & Co. Ltd. is a Swiss corporation. All of its shares are owned by Julius Baer Group Ltd., the ultimate parent company of the Julius Baer Group. Bank Julius Baer & Co. Ltd. is the central underwriter for traditional and innovative banking products. The Board of Directors approved these financial statements on 1 February 2022. In addition, they are submitted for approval at the Annual General Meeting on 25 March 2022.

Amounts in the consolidated financial statements are stated in Swiss francs. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Generally, the historical cost principle is applied, with the exception of financial assets measured at fair value through profit or loss or at fair value through other comprehensive income, derivative financial instruments, as well as certain financial liabilities that are measured at fair value, and precious metals that are measured at fair value less costs to sell.

USE OF ESTIMATES IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent liabilities. Actual results in future periods could differ from such estimates.

Estimates and assumptions are used mainly in the following areas of the consolidated financial statements and are in part discussed in the corresponding notes: determination of the fair values of financial instruments, assessment of the business model when classifying financial instruments, uncertainties in measuring provisions and contingent liabilities, loss allowances

(measurement of expected credit losses), pension assets and liabilities (measurement of defined benefit obligation), income taxes (judgment regarding the interpretation of the applicable tax laws and the respective tax practice, such as transfer pricing or deductible versus non-deductible items, and anticipation of tax audit issues), share-based payments, goodwill and other intangible assets (determination in a business combination and measurement of recoverable amount) and contingent considerations.

ACCOUNTING POLICIES

All Bank companies apply uniform accounting and measurement principles, which have remained the same as in the previous year, except as outlined at the end of this summary in the section changes in accounting policies.

Business combinations

In a business combination, the acquirer obtains control over one or more businesses. The business combination is accounted for using the acquisition method. This involves recognising the identifiable assets, including previously unrecognised intangible assets, and liabilities of the acquired business, at acquisition-date fair value. Any excess of the consideration provided, such as assets or equity instruments issued and measured at acquisition-date fair value, over the identifiable net assets acquired, is recognised as goodwill. Transaction costs are expensed as incurred.

Foreign currency translation

In the individual financial statements of the Bank companies, income and expenses denominated in foreign currencies are translated at the exchange rate on the date of the respective transaction. Assets and liabilities are translated at the closing exchange rate on the balance sheet date. The resulting gains and losses on monetary assets and liabilities are recognised in the income statement as foreign exchange gains/losses.

The following exchange rates are used for the major currencies:

	Year-end rates		Average exchange rates for the year	
	31.12.2021	31.12.2020	2021	2020
USD/CHF	0.9111	0.8839	0.9150	0.9340
EUR/CHF	1.0362	1.0816	1.0795	1.0705
GBP/CHF	1.2341	1.2083	1.2580	1.2060

Revenue recognition

The Bank uses a model for the recognition of revenues which features a contract-based five-step analysis of transactions to determine whether, to what extent and when revenue is recognised:

- identify the contract(s) with a customer (step 1);
- identify the performance obligations in the contract (step 2);
- determine the transaction price (step 3);
- allocate the transaction price to the performance obligations in the contract (step 4);
- recognise revenue when (or as) the Bank satisfies a performance obligation (step 5).

The Bank recognises fee and commission income related to its wealth management-related services either at the time the service is performed, i.e. upon execution of a transaction, or in the corresponding periods over the life of a contract if services are provided over a certain period of time. In all cases, the fees and commissions must be based on a legally enforceable contract. Income and income components that are based on performance are recognised to the extent that it is highly probable that a significant reversal will not occur.

Financial instruments

Recognition

All financial instruments are initially measured at fair value; for financial instruments not at fair value through profit or loss, eligible transaction costs are included.

Foreign exchange, securities and derivatives transactions are recorded in the balance sheet on trade date. All other financial instruments are recorded on settlement date.

Measurement

Two criteria are used to determine how financial assets should be classified and subsequently measured:

- the entity's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

A business model refers to how an entity manages its financial assets in order to achieve a particular business objective and to generate cash flows:

- by collecting contractual cash flows, i.e. cash flows stem primarily from interest payments and repayment of principal;
- by selling the financial assets, i.e. cash flows stem primarily from buying and selling the financial asset; or
- by a combination of the two models above.

The additional criterion for determining the classification of a financial asset is whether the contractual cash flows are solely payments of principal and interest (SPPI criterion). Interest under this model mainly comprises returns for the time value of money, credit risk, administration costs and a profit margin. Interest is accounted for under the effective interest method.

Based on the analysis of the business model and the nature of the contractual cash flows, a financial asset is allocated at initial recognition to one of the three principal classification categories and subsequently measured at either:

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL).

Amortised cost: A debt instrument is measured at amortised cost if the following conditions are fulfilled:

- it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- it meets the SPPI criterion.

The Bank originates Lombard and mortgage loans related to its business with wealth management clients. Such loans are held to maturity and to collect the contractual interests during the loan term. In addition, they fulfil the SPPI criterion. The Bank's loans are therefore measured at amortised cost.

The Bank holds balances with other banks, which are accounted for at amortised cost if the above conditions are fulfilled.

Fair value through other comprehensive income (FVOCI): A debt instrument is measured at fair value through other comprehensive income if both of the following conditions are met:

- it is held within a business model in which assets are managed both in order to collect contractual cash flows and for sale; and
- it meets the SPPI criterion.

The Bank acquires debt instruments (bonds, money market instruments) for its asset and liability management purposes, i.e. to collect the contractual cash flows and/or for sale. The Bank's debt instruments in this portfolio are therefore measured at fair value through other comprehensive income if the SPPI criterion is fulfilled as well.

Fair value through profit or loss (FVTPL): All financial assets that do not meet the SPPI criterion and/or are not held in a business model 'held to collect' or 'held to collect or for sale' are measured at fair value through profit or loss.

The Bank applies this measurement principle to its trading portfolio, its derivatives and some financial instruments mandatorily measured at FVTPL.

In addition, at initial recognition, an entity has the option to irrevocably designate financial instruments as at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities, or recognise the gains or losses on them, on different bases.

The Bank applies this fair value option to certain financial assets related to its issued structured notes.

Equity instruments: Equity instruments are generally accounted for at fair value through profit or loss. However, at initial recognition, an entity may make an irrevocable election, on an instrument-by-instrument basis, to present in other comprehensive income (OCI) changes in the fair value of the equity instrument that is not held for trading.

The Bank applies the OCI option to its investments in service providers that are necessary to run the Bank's daily business. All other equity investments, including the equities held for trading purposes, are measured at FVTPL.

Financial liabilities: Financial liabilities are classified and subsequently measured at amortised cost, except for instruments that are held for trading (including derivatives) which are recognised at FVTPL.

The Bank applies this measurement principle to its amounts due to banks and customers (deposits) and its debt issued (bonds).

Financial liabilities may initially be designated as at fair value through profit or loss (the fair value option – see conditions above).

This fair value option for financial liabilities requires that the amount of change in fair value attributable to changes in the own credit risk of the liability be presented in other comprehensive income (OCI) without reclassification to the income statement. The remaining amount of total gain or loss is included in the income statement.

The Bank applies the fair value option to its issued structured notes.

Expected credit losses (ECL)

General ECL model: An entity is required to recognise expected credit losses at initial recognition of any financial instrument and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of the respective instruments.

In general, the expected credit loss model uses a dual measurement approach:

- if the credit risk of a debt instrument has not increased significantly since its initial recognition, the debt instrument will attract a loss allowance equal to the 12-month expected credit losses ('stage 1' ECL);

- if the credit risk of a debt instrument has increased significantly since its initial recognition, the debt instrument will attract a loss allowance equal to lifetime expected credit losses ('stage 2' ECL) or the debt instrument is impaired ('stage 3' ECL).

At initial recognition, the Bank classifies all financial assets in stage 1 since it does not acquire or originate credit-impaired debt instruments.

Significant increase: If a significant increase in credit risk has occurred to the financial instrument, the instrument moves from stage 1 to stage 2. The threshold applied varies depending on the original credit quality of the counterparty. For assets with lower default probabilities at origination due to good credit quality of the counterparty, the threshold for a significant increase in credit risk is set at a higher level than for assets with higher default probabilities at origination. This implies that for financial assets with initially lower default probabilities a relatively higher deterioration in credit quality is needed to trigger a significant increase than for those assets with originally higher probabilities of default.

The model is symmetric, meaning that if the transfer condition (significant increase) is no longer met, the financial asset is transferred back into the 12-month expected credit losses category (stage 1).

Measurement of ECL: An entity should measure expected credit losses of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, i.e. based on probability of default;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Generally, ECL calculations are based on four components:

- probability of default (PD)
- exposure at default (EAD)
- loss given default (LGD)
- discount rate (IR)

These four components are used in the following basic formula: $ECL = PD * EAD * LGD * IR$

Recognition of the loss allowance and write-offs: The impairment loss recognised in the income statement (net impairment losses/(recoveries) on financial assets) is the amount required to adjust the loss allowances from the previous reporting date to the current reporting date due to the periodic detailed ECL calculation.

In the balance sheet, the loss allowance related to debt instruments measured at amortised cost is deducted directly from the asset. For debt instruments measured at FVOCI, the loss allowance is recognised in other comprehensive income (equity) and therefore does not reduce the carrying amount of the asset in the balance sheet. This ensures that the carrying amount of these assets is always measured at the fair value.

The gross carrying amount of a financial asset is written off when there is no reasonable expectation of recovery of the amount, i.e. the amount outstanding is deemed uncollectible or forgiven. The time of each write-off is individually determined on a case-by-case basis once the Credit Department decides that there is no reasonable expectation of recovery. For collateralised loans, it is only after a foreclosure sale of the pledged assets that a write-off takes place for any remaining uncovered balance.

Cash

Cash includes notes and coins on hand, as well as balances held with central banks.

Securities lending and borrowing transactions

Securities lending and borrowing transactions are collateralised by securities or cash. The transactions are usually conducted under standard agreements employed by the market participants; the counterparties are subject to the Bank's normal credit risk process.

Securities borrowed as well as securities received by the Bank as collateral under securities lending transactions are only recorded in the balance sheet if the Bank obtains control of the contractual rights (risks and rewards of ownership) associated with these securities. Similarly, securities lent as well as securities provided by the Bank as collateral under securities borrowing transactions are only derecognised from the balance sheet if the Bank relinquishes control of the contractual rights associated with these securities. Securities lent and securities provided as collateral that remain in the balance sheet are remeasured according to the respective position they are recorded in. The fair values of securities received or provided are monitored daily in order to provide or request additional collateral in accordance with the underlying agreements.

Cash collateral received is recognised with a corresponding obligation to return it, and cash collateral provided is derecognised and a corresponding receivable reflecting the Bank's right to receive it back is recognised.

Fees received or paid in connection with securities lending and borrowing transactions are recognised as commission income or commission expenses on an accrual basis.

Repurchase and reverse repurchase transactions

Reverse repurchase transactions and repurchase transactions are considered secured financing transactions and are recorded at the value of the cash provided or received. The transactions are generally conducted under standard agreements employed by the market participants; the counterparties are subject to the Bank's normal credit risk process.

Securities received and securities delivered are only recorded in the balance sheet or derecognised from the balance sheet if control of the contractual rights (risks and rewards of ownership) associated with these securities is relinquished as well. The fair values of the securities received or delivered are monitored daily in order to provide or request additional collateral in accordance with the underlying agreements.

Cash received is recognised with a corresponding obligation to return it, and cash provided is derecognised and a corresponding receivable reflecting the Bank's right to receive it back is recognised.

Interest income from reverse repurchase transactions and interest expenses from repurchase transactions are accrued in the corresponding periods over the life of the underlying transactions in the respective interest positions.

Derivative financial instruments and hedging

The Bank applies the respective IFRS 9 guidelines for the treatment of derivative financial instruments including hedging.

Derivative financial instruments held for trading, including foreign exchange products, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (written options as well as purchased options), are recognised at fair value through profit or loss. In order to calculate the fair value, corresponding stock exchange prices, discounted cash flow models and option pricing models are employed. Derivatives are reported as an asset position if their fair value is positive and as a liability position if their fair value is negative. Changes in fair value on trading positions are recognised in net income from financial instruments measured at FVTPL.

An entity may choose to designate a hedging relationship between a hedging instrument and a hedged item in order to achieve hedge accounting. Prior to the application of hedge accounting, all of the following steps must have been completed:

- identification of eligible hedged item(s) and hedging instruments;
- identification of an eligible hedged risk;
- verification that the hedge relationship meets the definition of one of the permitted types (see below);
- verification that the qualifying criteria for hedge accounting are met; and
- formal designation of the hedge relationship.

The Bank applies the following hedge accounting models:

Fair value hedge (FVH) accounting: The risk being hedged in a fair value hedge is a change in the fair value of an asset or liability or an unrecognised firm commitment that is attributable to a particular risk and could affect the income statement. The changes in fair value might arise through changes in interest rates, foreign exchange rates or equity prices, i.e. the item to hedge is 'some fixed item', which however underlies variability due to market changes, which shall be prevented.

For an FVH, an adjustment is made to the carrying value of the hedged item to reflect the change in the value due to the hedged risk, with an offset to the income statement for the change in value of the hedging instrument. Where the offset is not complete, this will result in ineffectiveness to be recorded in the income statement.

Cash flow hedge (CFH) accounting: The risk being hedged in a cash flow hedge is the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, an unrecognised firm commitment or a highly probable forecast transaction, and could affect the income statement. The item to hedge is 'some variable item', i.e. producing some variable cash amount, which shall be stabilised (the amount shall be fixed).

For a CFH, the carrying amount of the hedged item, which may not even be recognised yet, is unchanged. The effect of hedge accounting is to defer the effective portion of the change in value of the hedging instrument in other comprehensive income. Any ineffective portion remains in the income statement as ineffectiveness.

Remaining hedge accounting under IAS 39: As permitted under IFRS 9, the Bank continues to apply the hedge accounting requirements of IAS 39 to fair value hedges of portfolio interest rate risk related to Lombard loans.

Economic hedges: Certain derivative transactions represent financial hedging transactions and are in line with the risk management principles of the Bank. However, in view of the strict and specific guidelines of IFRS, they do not fulfil the criteria to be treated as hedging transactions for accounting purposes. They are therefore reported as trading positions. Changes in value are recorded in the income statement in the corresponding period.

Property and equipment

Property and equipment includes bank premises, IT, communication systems, leasehold improvements as well as other equipment. They are carried at cost less accumulated depreciation and impairment losses. Items of property and equipment are depreciated over their estimated useful lives using the straight-line method.

Bank premises are depreciated over a period of 66 years. Leasehold improvements are depreciated over the shorter of the residual lease term or useful life. IT hardware is depreciated over three years and other items of property and equipment generally over five to ten years.

Leasehold improvements are investments made to customise buildings and offices occupied under lease contracts to make them suitable for the intended purpose. If a leased property must be returned to its original condition at the end of the lease term, the present value of the estimated reinstatement costs is capitalised as part of the total leasehold improvement costs. At the same

time, a liability for reinstatement costs is recognised to reflect the obligation incurred. The reinstatement costs are recognised in the income statement through depreciation of the capitalised leasehold improvements over their useful life.

Subsequent expenditure on an item of property and equipment is recognised in the carrying value of the item if it is probable that the Bank will profit from the future economic benefits of the investment. Current maintenance and servicing costs are recognised in general expenses.

On each balance sheet date, the items of property and equipment are reviewed for indications of impairment. If such indications exist, it is determined whether the carrying amount of the item is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

Leases

A lessee recognises right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make the respective lease payments during the lease term. The lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability in the income statement.

The vast majority of lease contracts where the Bank is the lessee relates to office leases, with a limited number of leases of vehicle and other items. The Bank does not apply lease accounting to software or other intangible assets. Generally, non-lease components in the lease contract are excluded from the accounting under this standard.

As the implicit rate in leases is generally not available, the Bank as a lessee applies its incremental borrowing rate. This rate is determined based on the Bank's actual funding rate (by currency and term), which is provided to the Bank by external sources on a regular basis.

The Bank is lessor in a very limited number of lease contracts only, with all the leases qualifying as operating leases, meaning that the underlying assets remain on the balance sheet of the lessor and the lease payments are recognised on a straight-line basis.

Goodwill and intangible assets

Goodwill and intangible assets are classified into the following categories:

Goodwill: In a business combination, the acquiree's identifiable assets and liabilities are recognised at their respective fair value at acquisition date. Goodwill is measured as the difference between the sum of the fair value of consideration transferred and the recognised amount of the identifiable assets acquired and liabilities assumed. Goodwill is not amortised; it is tested for impairment annually at the cash-generating-unit level, and an impairment loss is recognised if the recoverable amount is less than its carrying amount.

Customer relationships: This position comprises long-term customer relationship intangibles from recent business combinations that are initially recognised at fair value at the date of acquisition. Customer relationships are amortised over their estimated useful life not exceeding ten years, using the straight-line method.

Software: The Bank capitalises costs relating to the acquisition, installation and development of software if it is probable that the future economic benefits that are attributable to the asset will flow to the Bank and that the costs of the asset can be identified and measured reliably. The capitalised software is amortised using the straight-line method over its useful life not exceeding ten years.

On each balance sheet date, the intangible assets with a finite life (customer relationships, software) are reviewed for indications of impairment. If such indications exist, it is determined whether the carrying amount of the intangible assets is fully recoverable, and an impairment loss is recognised if the carrying amount exceeds the recoverable amount.

Provisions

A provision is recognised if, as a result of a past event, the Bank has a legal or constructive present obligation existing on the balance sheet date that will probably lead to an outflow of resources and whose amount can be reliably estimated. The amount recognised as a provision is the best estimate of the consideration required to settle the obligation as at the balance sheet date, taking into account the risks and uncertainties related to the obligation. The recognition and release of provisions are recorded in the income statement through general expenses.

Income taxes

Income tax expense comprises current and deferred taxes. The Bank is subject to income taxes in numerous countries. Current income taxes are calculated on the basis of the applicable tax laws of the respective countries and are recognised as expense in the financial year in which the related taxable income arises. Liabilities related to current taxes are recognised in the balance sheet as current tax liabilities.

Deferred tax assets and deferred tax liabilities are taken into account for the expected future tax consequences of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax values.

Deferred tax assets arising from temporary differences and from loss carryforwards eligible for offsetting are capitalised if it is likely that sufficient taxable profits will be available against which those differences or loss carryforwards can be offset. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and deferred tax liabilities are calculated at tax rates expected to apply in the period in which the tax assets will be realised, or the tax liabilities settled.

Current tax assets and tax liabilities are offset against each other when they refer to the same taxable entity, concern the same tax authority, and an enforceable right to offset exists. The same rule applies to deferred tax assets and liabilities.

Current and deferred taxes are credited or charged directly to equity if the taxes refer to items that are credited or charged directly to equity.

Post-employment benefits

For defined benefit plans, the net defined benefit liability recognised in other liabilities in the balance sheet is the present value of the defined benefit obligation less the fair value of the plan assets as of the reporting date. If the fair value of the plan's assets is higher than the present value of the defined benefit obligation, the recognition of the resulting net asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan ('asset ceiling').

The Bank applies the projected unit credit method to determine the present value of the defined benefit obligation and the current and past service cost. The corresponding calculations are carried out by independent qualified actuaries.

All changes in the present value of the defined benefit obligation and in the fair value of the plan assets are recognised in the financial statements immediately in the period they occur. Service costs, including past service costs, and net interest on the net defined benefit liability are recognised in the income statement in personnel expenses. The Bank determines the net interest expense based on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation. The remeasurement of the net defined benefit liability which comprises movements in actuarial gains and losses and return on plan assets (excluding net interest cost) is recognised in other comprehensive income.

For defined contribution pension plans, the contributions are expensed when the employees render the corresponding service to the Bank.

Share-based payments

The Bank maintains various share-based payment plans in the form of share plans for its employees. When such payments are made to employees, the fair value of these payments at grant date serves as the basis for calculating the personnel expenses. Share-based payments that are not subject to any further conditions are expensed immediately at grant date. Share-based payments that are subject to the completion of a service period or to other vesting conditions are expensed over the respective vesting period. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related services and non-market performance vesting conditions are expected to be met.

Share-based payment plans that are settled in equity instruments of the parent (i.e. Julius Baer Group Ltd. shares) qualify as equity-settled share plans and are not remeasured for subsequent changes in the fair value of the underlying equity instruments. The difference between the grant-date fair value of the plan and the actual purchase price of the shares is recognised as a capital contribution from, or a capital refund to the parent, respectively.

Share capital

The share capital comprises all issued, fully paid shares of Bank Julius Baer & Co. Ltd.

Capital reserves

Capital reserves represent the additional proceeds (premium) received from the issue of shares by Bank Julius Baer & Co. Ltd. and from the exercise of conversion rights and warrants on Bank Julius Baer & Co. Ltd.

Earnings per share (EPS)

Basic consolidated earnings per share is calculated by dividing the net profit for the reporting period attributable to shareholders of Bank Julius Baer & Co. Ltd. by the weighted average number of shares outstanding during the reporting period.

Segment reporting

Determination of the operating segments is based on the management approach. The management approach reflects the way in which management organises the entity for making operating decisions and for assessing performance, based on discrete financial information. Therefore, the adoption of the management approach results in the disclosure of information for segments in substantially the same manner as they are reported internally and used by the entity's chief operating decision maker for the purposes of evaluating performance and making resource allocation decisions.

Contingent liabilities and irrevocable commitments

Contingent liabilities and irrevocable commitments are not recognised in the balance sheet. However, if an outflow of resources becomes probable and is a present obligation from a past event that can be reliably measured, a respective liability is recognised.

CHANGES IN ACCOUNTING POLICIES

As of 1 January 2021, the Bank applied the following new standards for the first time. All these amendments had no material impact on the Bank's financial statements.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16)

On 1 January 2021, the Bank adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16). These second amendments relate to the interbank offered rates (IBOR) reform and cover issues that might affect financial reporting, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of the IBOR benchmark rates with alternative benchmark rates. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, and hedge accounting.

The replacement of the IBOR rates by the new benchmark rates (e.g. SARON, SOFR) accelerated in the second half of 2021. However, the application of the new benchmark rates had no material impacts on the Bank's financial statements. Refer to Note 27C for more information.

COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

This practical expedient is an extension of the initial amendment to IFRS 16 in 2020 which introduced an optional practical expedient that simplifies how lessees account for rent concessions that are a direct consequence of COVID-19. The amendment applies only if certain conditions are met and is limited up to 30 June 2022. The Bank did not benefit from material COVID-19 rent concessions.

IFRS 9 Financial Instruments: Adoption of hedge accounting requirements

The Bank adopted the hedge accounting requirements of IFRS 9 Financial Instruments as of 1 January 2021 which resulted in changes to the Bank's accounting policies. The Bank applies the new hedge accounting rules to fair value hedges of interest rate risks and cash flow hedges of interest rate risks and foreign exchange risks.

As permitted by IFRS 9 Financial Instruments, the Bank has prospectively adopted the hedge accounting requirements of this standard for all its existing hedges previously accounted for under the guidelines of IAS 39 Financial Instruments: Recognition and Measurement, except for fair value hedges of portfolio interest rate risk, which continue to be accounted for under IAS 39.

The hedge accounting model in IFRS 9 improves the alignment of the Bank's risk management practices with the respective accounting treatment. In addition, it amends the hedge effective testing requirements, extends possibilities of the application of hedge accounting and permits the amortisation of the option's time value as 'cost of hedging'.

The adoption of these requirements had no material financial impact on the Bank's financial statements. However, since adopting the new standard, the Bank increasingly designates more effective hedge accounting relationships due to the more favourable rules and applications and hence reduces volatility in the income statement. The Bank also introduced cash flow hedge accounting to hedge the interest rate risk of certain groups of assets (Lombard loans) as well as to hedge future stable and predictable foreign currency cash flows.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new standards, revisions and interpretations of existing standards were published that must be applied in future financial periods. The Bank plans not to adopt these in advance. A number of these changes may have an impact on the Bank's consolidated financial statements, as outlined below.

The following amendments may be relevant to the Bank:

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

These amendments regarding the application of materiality to disclosure of accounting policies require companies to disclose their material accounting policies rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of an entity's financial statements make on the basis of those financial statements.

The amendments will be effective 1 January 2023. They are not expected to have a material impact on the Bank's financial statements.

Definition of Accounting Estimates – Amendments to IAS 8

Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty, meaning that the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy.

The amendments will be effective 1 January 2023. They are not expected to have a material impact on the Bank's financial statements.

COMMENT ON RISK MANAGEMENT

The content in the Consolidated Financial Statement of
Bank Julius Baer & Co. Ltd set out under this heading was deleted

COMMENT ON CAPITAL MANAGEMENT

MANAGEMENT OF CAPITAL INCLUDING REGULATORY CAPITAL

For information about capital management including regulatory capital, refer to the respective section in the Annual Report 2021 of Julius Baer Group Ltd.

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

NOTE 1 NET INTEREST AND DIVIDEND INCOME

	2021 CHF 1,000	2020 CHF 1,000	Change %
Interest income on amounts due from banks	1,294	9,670	-86.6
Interest income on loans	521,077	574,850	-9.4
Interest income on debt instruments at FVOCI	114,092	133,190	-14.3
Negative interest received on financial liabilities	33,925	26,862	26.3
Interest income on financial instruments measured at amortised cost or FVOCI	670,388	744,572	-10.0
Interest expense on amounts due to banks	2,872	10,388	-72.4
Interest expense on amounts due to customers	41,180	124,448	-66.9
Interest expense on debt issued	425	-	-
Negative interest paid on financial assets	44,894	40,315	11.4
Interest expense on lease liabilities	3,740	4,527	-17.4
Interest expense on financial instruments measured at amortised cost	93,111	179,678	-48.2
Total	577,277	564,894	2.2

NOTE 2 NET COMMISSION AND FEE INCOME

	2021 CHF 1,000	2020 CHF 1,000	Change %
Advisory and management fees	1,282,144	1,042,152	23.0
Brokerage commissions and income from securities underwriting	776,928	756,076	2.8
Commission and fee income on other services	60,826	63,184	-3.7
Total commission and fee income	2,119,898	1,861,412	13.9
Commission expense	576,458	505,086	14.1
Total	1,543,440	1,356,326	13.8

NOTE 3 OTHER ORDINARY RESULTS

	2021 CHF 1,000	2020 CHF 1,000	Change %
Dividend income on equity instruments at FVOCI	20,991	1,811	-
Result from disposal of debt instruments at FVOCI	9,796	14,713	-33.4
Real estate income	5,479	5,099	7.5
Other ordinary income	70,527	64,211	9.8
Other ordinary expenses	1	14	-92.9
Total	106,792	85,820	24.4

NOTE 4 PERSONNEL EXPENSES

	2021 CHF 1,000	2020 CHF 1,000	Change %
Salaries and bonuses	953,952	944,365	1.0
Contributions to staff pension plans (defined benefits)	75,769	82,633	-8.3
Contributions to staff pension plans (defined contributions)	23,353	20,809	12.2
Other social security contributions	74,010	69,197	7.0
Share-based payments	63,145	52,495	20.3
Other personnel expenses	17,054	17,722	-3.8
Total	1,207,283	1,187,221	1.7

NOTE 5 GENERAL EXPENSES

	2021 CHF 1,000	2020 CHF 1,000	Change %
Occupancy expense	21,443	22,288	-3.8
IT and other equipment expense	75,265	77,296	-2.6
Information, communication and advertising expense	140,359	130,324	7.7
Service expense, fees and taxes	395,396	388,741	1.7
Provisions and losses	63,138	80,516	-21.6
Other general expenses	2,871	2,457	16.8
Total	698,472	701,622	-0.4

NOTE 6 INCOME TAXES

	2021 CHF 1,000	2020 CHF 1,000	Change %
Income tax on profit before taxes (statutory tax expense)	190,702	146,767	-
Effect of tax rate differences in foreign jurisdictions	-23,517	-19,269	-
Effect of domestic tax rate differences	-5,082	-	-
Income subject to a reduced tax rate	4,962	-15,582	-
Adjustments related to prior years	-33,664	-4,722	-
Non-deductible expenses	14,620	12,637	-
Other	-2,479	-483	-
Actual income tax expense	145,542	119,348	21.9

The basis for the above table is the statutory income tax rate of 19% (2020: 20%) which corresponds to the average Bank tax rate in Switzerland.

There are no unrecognised accumulated loss carryforwards in the Bank.

The Bank applies management judgement in identifying uncertainties related to income tax treatments and the respective interpretations by local tax authorities. The Bank operates in an international tax environment which has become more complex and challenging in recent years because of multinational (e.g., Base Erosion and Profit Shifting project by OECD/G20) and unilateral initiatives. Among others, the Bank applies transfer pricing arrangements among different Bank entities due to its cross-border operations to correctly align taxable profits with value creation. Therefore, the Bank entities' tax filings in different jurisdiction include deductions related to such transfer pricing arrangements and the local tax

authorities may challenge the applied tax treatment. However, based on its ongoing analysis of the tax regulations and the respective application in the different locations as well as the benchmarking process, the Bank is of the opinion that its transfer pricing arrangements will be accepted by the tax authorities. Moreover, the tax treatment of various items requires an interpretation of local tax law and practice in many jurisdictions to the best of the Bank's knowledge. In addition, the Bank books provisions where adequate to cover future potential tax. After considering the above, the Bank is of the opinion that the tax expense and tax liabilities in the financial statements are adequate and based on reasonable judgements by tax professionals.

	2021 CHF 1,000	2020 CHF 1,000	Change %
Domestic income taxes	88,510	65,635	34.9
Foreign income taxes	57,032	53,713	6.2
Total	145,542	119,348	21.9
Current income taxes	150,466	118,968	26.5
Deferred income taxes	-4,924	380	-
Total	145,542	119,348	21.9

Tax effects relating to components of other comprehensive income

			2021
	Before-tax amount CHF 1,000	Tax (expense)/ benefit CHF 1,000	Net of tax amount CHF 1,000
Items that may be reclassified to the income statement			
Net unrealised gains/(losses) on debt instruments measured at FVOCI	-108,402	7,200	-101,202
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	-9,570	313	-9,257
Net credit losses on debt instruments measured at FVOCI	-8,665	-	-8,665
Items that will not be reclassified to the income statement			
Net unrealised gains/(losses) on equity instruments designated at FVOCI	38,869	-7,385	31,484
Gains/(losses) from own credit risk on financial liabilities designated at fair value	3,086	-	3,086
Remeasurement of defined benefit obligation	65,903	-12,522	53,381
Other comprehensive income	-18,779	-12,394	-31,173

			2020
	Before-tax amount CHF 1,000	Tax (expense)/ benefit CHF 1,000 <i>restated</i>	Net of tax amount CHF 1,000
Items that may be reclassified subsequently to the income statement			
Net unrealised gains/(losses) on debt instruments measured at FVOCI	111,059	-5,746	105,313
Net realised (gains)/losses on debt instruments measured at FVOCI reclassified to the income statement	-15,668	464	-15,204
Items that will not be reclassified to the income statement			
Net unrealised gains/(losses) on equity instruments designated at FVOCI	-14,103	2,721	-11,382
Gains/(losses) from own credit risk on financial liabilities designated at fair value	-3,895	-	-3,895
Remeasurement of defined benefit obligation	40,691	-7,731	32,960
Other comprehensive income	118,084	-10,292	107,792

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

NOTE 7 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	31.12.2021					
	Mandatory at FVTPL CHF m	Designated as at FVTPL CHF m	FVOCI – Debt instruments CHF m	FVOCI – Equity instruments CHF m	Amortised cost CHF m	Total CHF m
Financial assets						
Cash	-	-	-	-	17,275.4	17,275.4
Due from banks	-	-	-	-	5,101.5	5,101.5
Lombard loans	-	-	-	-	40,329.4	40,329.4
Mortgages	-	-	-	-	6,069.6	6,069.6
Financial assets measured at FVTPL	14,681.2	-	-	-	-	14,681.2
Derivative financial instruments	2,097.0	-	-	-	-	2,097.0
Financial assets designated at fair value	-	306.9	-	-	-	306.9
Financial assets measured at FVOCI	-	-	12,892.2	339.3	-	13,231.5
Accrued income	-	-	-	-	281.3	281.3
Other assets	-	-	-	-	9.1	9.1
Total	16,778.2	306.9	12,892.2	339.3	69,066.3	99,382.9
Financial liabilities						
Due to banks	-	-	-	-	8,011.6	8,011.6
Due to customers	-	-	-	-	75,458.6	75,458.6
Financial liabilities measured at FVTPL	749.5	-	-	-	-	749.5
Derivative financial instruments	2,681.4	-	-	-	-	2,681.4
Financial liabilities designated at fair value	-	14,459.0	-	-	-	14,459.0
Debt issued	-	-	-	-	774.3	774.3
Accrued expense	-	-	-	-	173.1	173.1
Other liabilities	-	-	-	-	4.9	4.9
Total	3,430.9	14,459.0	-	-	84,422.5	102,312.4

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INFORMATION ON THE CONSOLIDATED BALANCE SHEET

	31.12.2020					
	Mandatory at FVTPL CHF m	Designated as at FVTPL CHF m	FVOCI – Debt instruments CHF m	FVOCI – Equity instruments CHF m	Amortised cost CHF m	Total CHF m
Financial assets						
Cash	-	-	-	-	12,095.7	12,095.7
Due from banks	-	-	-	-	7,258.2	7,258.2
Lombard loans	-	-	-	-	36,895.1	36,895.1
Mortgages	-	-	-	-	6,499.7	6,499.7
Financial assets measured at FVTPL	13,557.6	-	-	-	-	13,557.6
Derivative financial instruments	2,576.3	-	-	-	-	2,576.3
Financial assets designated at fair value	-	252.2	-	-	-	252.2
Financial assets measured at FVOCI	-	-	13,380.7	272.3	-	13,653.0
Accrued income	-	-	-	-	254.8	254.8
Other assets	-	-	-	-	5.3	5.3
Total	16,133.9	252.2	13,380.7	272.3	63,008.8	93,047.9
Financial liabilities						
Due to banks	-	-	-	-	8,519.5	8,519.5
Due to customers	-	-	-	-	69,842.7	69,842.7
Financial liabilities measured at FVTPL	896.5	-	-	-	-	896.5
Derivative financial instruments	2,710.0	-	-	-	-	2,710.0
Financial liabilities designated at fair value	-	13,154.8	-	-	-	13,154.8
Accrued expense	-	-	-	-	138.7	138.7
Other liabilities	-	-	-	-	4.6	4.6
Total	3,606.5	13,154.8	-	-	78,505.5	95,266.8

NOTE 8 FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FVTPL

	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000	Change CHF 1,000
Financial assets measured at FVTPL			
Trading securities – debt FVTPL	3,263,789	3,397,877	-134,088
<i>of which quoted</i>	2,135,984	2,664,756	-528,772
<i>of which unquoted</i>	1,127,805	733,121	394,684
Trading securities – equity FVTPL	11,417,402	10,159,675	1,257,727
<i>of which quoted</i>	9,180,084	8,223,053	957,031
<i>of which unquoted</i>	2,237,318	1,936,622	300,696
Total	14,681,191	13,557,552	1,123,639
Financial liabilities measured at FVTPL			
Short positions - debt instruments	174,040	239,512	-65,472
<i>of which quoted</i>	133,060	222,110	-89,050
<i>of which unquoted</i>	40,980	17,402	23,578
Short positions - equity instruments	575,499	657,008	-81,509
<i>of which quoted</i>	548,269	626,284	-78,015
<i>of which unquoted</i>	27,230	30,724	-3,494
Total	749,539	896,520	-146,981

NOTE 9 FINANCIAL ASSETS MEASURED AT FVOCI

	31.12.2021 <i>CHF 1,000</i>	31.12.2020 <i>CHF 1,000</i>	Change <i>CHF 1,000</i>
Government and agency bonds	4,430,719	4,254,605	176,114
Financial institution bonds	5,232,362	5,261,374	-29,012
Corporate bonds	3,229,143	3,864,687	-635,544
Debt instruments at FVOCI	12,892,224	13,380,666	-488,442
<i>of which quoted</i>	8,831,959	8,903,652	-71,693
<i>of which unquoted</i>	4,060,265	4,477,014	-416,749
Equity instruments at FVOCI	339,294	272,347	66,947
<i>of which unquoted</i>	339,294	272,347	66,947
Total	13,231,518	13,653,013	-421,495

NOTE 10 PROPERTY, EQUIPMENT AND LEASES

	Bank premises CHF m	Leases CHF m	Other property and equipment CHF m	Total property and equipment CHF m
Historical cost				
Balance on 01.01.2020	420.2	239.1	182.7	842.0
Additions	4.8	1.5	15.7	22.0
Disposals/transfers ¹	-	-	26.5	26.5
Balance on 31.12.2020	425.0	240.6	171.9	837.5
Additions	6.3	3.1	13.3	22.7
Disposals/transfers ¹	-	0.6	46.8	47.4
Balance on 31.12.2021	431.3	243.1	138.4	812.8
Depreciation and impairment				
Balance on 01.01.2020	138.4	40.3	143.8	322.5
Charge for the period	9.5	41.2	21.8	72.5
Disposals/transfers ¹	-	-	26.5	26.5
Balance on 31.12.2020	147.9	81.5	139.1	368.5
Charge for the period	9.1	40.3	17.1	66.5
Disposals/transfers ¹	-	0.6	46.8	47.4
Balance on 31.12.2021	157.0	121.2	109.4	387.6
Carrying value				
Balance on 31.12.2020	277.1	159.1	32.8	469.0
Balance on 31.12.2021	274.3	121.9	29.0	425.2

¹ Includes also derecognition of fully depreciated assets

The following information relates to the Bank's lease activities:

	31.12.2021 <i>CHF m</i>	31.12.2020 <i>CHF m</i>
Amounts recognised in the income statement		
Depreciation charge	40.3	41.2
Interest expense on lease liability	3.8	4.5
Expense related to short-term/low-value leases	0.6	0.6
Total	44.7	46.3
<hr/>		
Total cash outflows for leases (excluding short-term/low-value leases)	42.7	37.8
<hr/>		
Maturity analysis – contractual undiscounted cash flows		
Less than one year	42.1	42.4
One to five years	64.4	88.4
More than five years	46.9	53.7
Total undiscounted lease liabilities	153.4	184.5

NOTE 11 GOODWILL AND INTANGIBLE ASSETS

	Goodwill CHF m	Customer relationships CHF m	Software CHF m	Total intangible assets CHF m
Historical cost				
Balance on 01.01.2020	1,501.7	1,185.5	1,016.7	3,703.9
Additions	-	-	149.9	149.9
Disposals/transfers ¹	-	-	56.8	56.8
Balance on 31.12.2020	1,501.7	1,185.5	1,109.8	3,797.0
Additions	-	-	168.0	168.0
Disposals/transfers ¹	-	-	66.0	66.0
Balance on 31.12.2021	1,501.7	1,185.5	1,211.8	3,899.0

Amortisation and impairment				
Balance on 01.01.2020	-	1,093.0	446.4	1,539.4
Charge for the period	-	32.2	76.9 ²	109.1
Disposals/transfers ¹	-	-	56.8	56.8
Balance on 31.12.2020	-	1,125.2	466.5	1,591.7
Charge for the period	-	32.2	97.1 ³	129.3
Disposals/transfers ¹	-	-	66.0	66.0
Balance on 31.12.2021	-	1,157.4	497.6	1,655.0

Carrying value				
Balance on 31.12.2020	1,501.7	60.3	643.3	2,205.3
Balance on 31.12.2021	1,501.7	28.1	714.2	2,244.0

¹ Includes also derecognition of fully amortised assets

² Includes impairment of CHF 7.7 million related to software not used anymore

³ Includes impairment of CHF 14.5 million related to software not used anymore

Goodwill – Impairment testing

To identify any indications of impairment on goodwill, the recoverable amount based on the value in use is determined for the respective cash-generating unit (i.e. for the smallest identifiable group of assets that generates cash inflows independently from other assets) and is subsequently compared to the carrying amount of that unit. Within the Bank, cash inflows are not attributable to either any dimension (e.g. geographical areas, booking centres, clients or products) or group of assets. In addition, management makes operating decisions based on information on the Bank level (see also Note 19 regarding the determination of the segments). Therefore, the goodwill is allocated to and tested on the level of the Bank.

The Bank uses a proprietary model based on the discounted cash flow method to calculate the recoverable amount. The Bank estimates the free cash flows expected to be generated from the continuing use of the cash-generating unit based on its regular financial planning, taking into account the following key parameters and their single components:

- assets under management;
- return on assets (RoA) on the average assets under management (driven by fees and commissions, trading income and net interest income);
- operating income and expenses; and
- tax rate applicable.

To each of these key parameters, reasonably expected growth assumptions are applied in order to calculate the projected cash flows for the next five years, whereof the first three years are based on the detailed budgeting and the remaining two years on the less detailed mid-term planning (particularly net new money). The Bank expects in the medium and long term a favourable development of the wealth management activities which is reflected in the respective growth of the key parameters, although the Bank cannot exclude short-term market disruptions. The Bank also takes into consideration its relative strength as a pure wealth management provider vis-à-vis its peers, which should result in a better-than-average business development in the respective market. Additionally, the estimates of the expected free cash flows take into account the projected investments which are necessary to maintain the level of economic benefits expected to arise from the underlying assets in their current condition. The resulting free cash flows are discounted to present value, using a pre-tax discount rate of 9.8% (2020: 11.0%). The discount rate used in the calculation represents the Bank's specific risk-weighted rate based on factors such as the risk-free rate, market risk premium, adjusted Beta, size premium and country risk premium.

The Bank's approach to determine the key assumptions and related growth expectations is based on management's knowledge and reasonable expectations of future business, using internal and external market information, planned and/or started business initiatives and other reasonable intentions of management. For that purpose, the Bank uses historical information by taking into consideration the current and expected market situations as well as the current and expected future relative market position of the Bank vis-à-vis

its respective competitors and in its industry. The long-term growth rate beyond management's planning horizon of five years for assets under management is assumed at 1%. This growth rate is considerably below the actual average rate of the last five years.

Changes in key assumptions

Deviations of future actual results achieved vs. forecast/planned key assumptions, as well as future changes of any of the key assumptions based on a future different assessment of the development of relevant markets, and/or businesses, may occur. Such deviations may result from changes in products and client mix, profitability, required types and intensity of personnel resources, general and company-specific personnel cost development and/or changes in the implementation of known or addition of new business initiatives and/or other internal and/or external factors. These changes may cause the value of the business to alter and therefore either increase or reduce the difference between the carrying value in the balance sheet and the Bank's recoverable amount or may even lead to a partial impairment of goodwill.

Management has performed sensitivity analyses on the discount rate and growth rates applied to a forecast period. Under these scenarios, the reasonably possible changes in key assumptions (i.e. discount rate and growth rate) would not result in the carrying amount exceeding the Bank's recoverable amount.

Therefore, no impairment resulted from the ordinary analyses. However, there remains a degree of uncertainty involved in the determination of these assumptions due to the general market and business-specific environment.

NOTE 12 ASSETS PLEDGED OR CEDED

	Carrying value CHF 1,000	31.12.2021 Effective commitment CHF 1,000	Carrying value CHF 1,000	31.12.2020 Effective commitment CHF 1,000
Securities	3,408,291	3,408,291	1,080,826	1,080,826
Other	15,624	15,624	10,892	10,892
Total	3,423,915	3,423,915	1,091,718	1,091,718

The assets are mainly pledged for Lombard limits at central banks, stock exchange securities deposits and collateral in OTC derivatives trading. Not

included in these numbers are financial assets provided as collateral in securities transactions (refer to Note 22 for details).

NOTE 13 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

	2022 CHF m	2023 CHF m	2024 CHF m	2025 CHF m	2026 CHF m	2027– 2031 CHF m	2032– CHF m	un- assigned CHF m	31.12.2021 CHF m	31.12.2020 CHF m
Fixed rate	7,220.2	272.0	8.3	-	-	-	-	-	7,500.5	5,598.5
Interest rates (ranges in %)	0.05–92.3	1.66–36.0	3.0–7.45	-	-	-	-	-	-	-
Floating rate	1,282.4	1,041.4	474.2	340.6	175.3	126.5	156.6	3,361.5	6,958.5	7,556.3
Total	8,502.6	1,313.4	482.5	340.6	175.3	126.5	156.6	3,361.5	14,459.0	13,154.8

The Bank issues to its wealth management clients structured notes for investment purposes. The table above indicates the maturities of the structured debt issues of Bank Julius Baer & Co. Ltd. with fixed interest rate coupons ranging from 0.05% up to 92.3%. The high and low coupons generally relate to structured debt issues prior to the separation of embedded derivatives. As a result, the stated interest rate generally does not reflect the effective interest rate paid to service the debt after the embedded derivative has been separated.

As the redemption amount on the structured debt issues is linked to changes in stock prices, indices, currencies or other assets, the Bank cannot determine the difference between the carrying amount and the amount the Bank would be contractually required to pay at maturity to the holder of the structured debt issues.

Changes in the fair value of financial liabilities designated at fair value are attributable to changes in the market risk factors of the embedded derivatives. The impact of the credit rating of the Bank on the fair value changes of these liabilities amounted to CHF -0.8 million (2020: CHF -3.9 million).

NOTE 14 DEBT ISSUED

	31.12.2021 CHF 1,000
Bonds	774,308
Total	774,308

Bonds

	Stated interest rate %		Currency	Notional amount m	31.12.2021 Carrying value CHF 1,000
Bank Julius Baer & Cie Ltd.					
2021 ¹	0.125	Senior bond	CHF	260.0	257,410
Bank Julius Baer & Cie Ltd.					
2021 ²	0.000	Senior unsecured bond	EUR	500.0	516,898
Total					774,308

¹ The effective interest rate amounts to 0.103%.

² The effective interest rate amounts to 0.092%.

Changes in debt issued

	31.12.2021 CHF 1,000
Balance at the beginning of the year	-
Changes from financing cash flows:	
– Proceeds from issuance of new bonds	806,945
Total changes from financing cash flows	806,945
Changes related to amortisation of premiums/discounts	205
Changes related to foreign exchange	-29,890
Changes related to hedge accounting	-2,952
Balance at the end of the year	774,308

Senior unsecured issues

2021 issues

The senior unsecured bond, which is denominated in CHF, was issued by the Bank on 27 April 2021. The bonds have a final maturity on 27 April 2028 and pay interest at a fixed rate of 0.125% interest per annum payable annually in arrears on 27 April.

The senior unsecured bond, which is denominated in EUR, was issued by the Bank on 25 June 2021. The bonds have a final maturity on 25 June 2024 and pay interest at a fixed rate of 0.000% interest per annum.

NOTE 15A DEFERRED TAX ASSETS

	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000
Balance at the beginning of the year	-	-
Translation differences and other adjustments	2,413	-
Balance at the end of the year	2,413	-

The components of deferred tax assets are as follows:

Pension liabilities	-	15,597
Employee compensation and benefits	7,287	5,061
Financial assets at FVOCI	624	-
Property and equipment	505	645
Other	1,767	1,606
Deferred tax assets before set-off ¹	10,183	22,909
Offset	-7,770	-22,909
Total	2,413	-

¹ For balance sheet purposes, the Bank recognises either a deferred tax asset or a deferred tax liability as per entity if that entity is allowed to net its deferred tax assets and deferred tax liabilities in line with the local tax rules. Disaggregation of these net balances (in this case deferred tax assets) into the single components may result in negative amounts (in this case deferred tax liabilities) which are disclosed as offsetting amounts.

NOTE 15B DEFERRED TAX LIABILITIES

	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000
Balance at the beginning of the year	56,136	45,464
Income statement - charge	372	4,649
Income statement - credit	-5,296	-4,269
Recognised directly in OCI	12,394	10,292
Translation differences and other adjustments	2,413	-
Balance at the end of the year¹	66,019	56,136

The components of deferred tax liabilities are as follows:

Property and equipment	27,262	28,782
Financial assets at FVOCI	43,866	44,866
Intangible assets	1,940	5,397
Pension liability taxes	721	-
Deferred tax liability before set-off	73,789	79,045
Offset	-7,770	-22,909
Total	66,019	56,136

¹ For balance sheet purposes, the Bank recognises either a deferred tax asset or a deferred tax liability as per consolidated entity if that entity is allowed to net its deferred tax assets and deferred tax liabilities in line with the local tax rules. Disaggregation of these net balances (in this case deferred tax liabilities) into the single components may result in negative amounts (in this case deferred tax assets) which are disclosed as offsetting amounts.

NOTE 16 PROVISIONS

	Legal risks CHF 1,000	Other CHF 1,000	2021 Total CHF 1,000	2020 Total CHF 1,000
Balance at the beginning of the year	88,863	1,580	90,443	173,889
Utilised during the year	-74,503	-	-74,503	-151,682
Provisions made during the year	57,190	-	57,190	87,667
Provisions reversed during the year	-1,023	-	-1,023	-14,125
Translation differences	1,680	-	1,680	-5,306
Balance at the end of the year	72,207	1,580	73,787	90,443

Maturity of provisions

Up to one year	5,745	492	6,237	6,808
Over one year	66,462	1,088	67,550	83,635

Introduction

The Bank operates in a legal and regulatory environment that exposes it to significant litigation, compliance, reputational and other risks arising from disputes and regulatory proceedings.

Non-compliance with regulatory requirements may result in regulatory authorities taking enforcement action or initiating criminal proceedings against the Bank and/or its employees. Possible sanctions could include the revocation of licences to operate certain businesses, the order to suspend or limit certain activities, the suspension or expulsion from a particular jurisdiction or market of any of the Bank's business organisations or their key personnel, the imposition of fines, the disgorgement of profit as well as claims for restitution, and censures on companies and employees with respective impact on the reputation of the Bank and its relation with clients, business partners and other stakeholders. In certain markets, authorities, such as regulatory or tax authorities, may determine that industry practices, e.g. regarding the provision of services, are or have become inconsistent with their interpretations of existing local and/or international laws and regulations. Also, from time to time, the Bank is and may be confronted with information and clarification requests, and procedures from authorities and other third parties (e.g. related to conflicting laws, sanctions, etc.) as well as with enforcement procedures relating to certain topics (such as

environmental, social, governance or sustainability issues). As a matter of principle, the Bank cooperates with the competent authorities within the confines of applicable laws to clarify the situation while protecting its own and other stakeholders' interests.

The risks described below may not be the only risks to which the Bank is exposed. The additional risks not presently known, or risks and proceedings currently deemed immaterial, may also impair the Bank's future business, results of operations, financial condition and prospects. The materialisation of one or more of these risks may individually, or together with other circumstances, have a materially adverse impact on the Bank's business, results of operations, financial condition and prospects.

Legal proceedings/contingent liabilities

The Bank is involved in various legal, regulatory and administrative proceedings concerning matters arising within the course of normal business operations. The current business environment involves substantial legal and regulatory risks, the impact of which on the financial position or profitability of the Bank – depending on the status of related proceedings – is difficult to assess.

The Bank establishes provisions for pending and threatened legal proceedings if management is of the opinion that such proceedings are more likely than not to result in a financial obligation or

loss, or if the dispute for economic reasons should be settled without acknowledgement of any liability on the part of the Bank and if the amount of such obligation or loss can already be reasonably estimated.

In cases in which the amount cannot be reasonably estimated due to the early stage of the proceedings, the complexity of the proceedings and/or other factors, no provision is recognised but the case is recorded as a contingent liability, hereinafter as of 31 December 2021. The contingent liabilities may result in a materially adverse effect on the Bank or for other reasons may be of interest to investors and other stakeholders.

In 2010 and 2011, litigation was commenced against Bank Julius Baer & Co. Ltd. (the 'Bank') and numerous other financial institutions by the liquidators of the Fairfield funds (the 'Fairfield Liquidators'), which funds had served as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against the Bank, the Fairfield Liquidators are seeking to recover a total amount of approximately USD 64 million in the courts of New York (including USD 17 million that relates to redemption payments made to clients of ING Bank (Suisse) SA, which merged with the Bank in 2010, and approximately USD 25 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions). The proceedings in the courts of the British Virgin Islands, where an amount of approximately USD 8.5 million had been claimed from the Bank, were finally dismissed in favour of the Bank with a ruling of the Privy Council, the highest court of appeals for the British Virgin Islands. In addition to the direct claims against the Bank, the Fairfield Liquidators have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants, with only a fraction of this amount being sought from the Bank (and ultimately its clients concerned). The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between the Bank and the other defendants cannot be made at this time. Finally, in further proceedings, the trustee of

Madoff's broker-dealer company (the 'Trustee') seeks to recover over USD 83 million in the courts of New York (including USD 46 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions), largely in relation to the same redemption payments which are the subject matter of the claims asserted by the Fairfield Liquidators. The Bank is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests. In the proceedings initiated by the Trustee, the Bankruptcy Court in New York dismissed the case against the Bank and other defendants based on extraterritoriality principles in November 2016. The Trustee has appealed this decision, and, in February 2019, the Court of Appeal has reversed the decision by the Bankruptcy Court. The Supreme Court denied reviewing such decision, therefore the proceedings continue with the Bankruptcy Court. In the proceedings initiated by the Liquidators, the Bankruptcy Court in New York decided in December 2018 on certain aspects, which have been appealed by the Liquidators. The Bankruptcy Court has additionally decided on certain other aspects in the Bank's favour in late 2020. That decision has been appealed as well. Both appeals have been consolidated and remain pending. Further, in October 2021, the Bank filed a motion to dismiss for lack of personal jurisdiction. In response, the Liquidators requested jurisdictional discovery, the scope of which is yet to be defined.

In a landmark decision on so-called retrocessions, the Swiss Federal Supreme Court ruled in 2012 that the receipt of fund trailer fees by a bank in connection with a Discretionary Portfolio Management mandate may create a potential conflict of interest in the execution of the mandate. The Court considered that by receiving trailer fees in the context of such mandate, a bank may be inclined not to act in the best interest of the client. Therefore, based on applicable Swiss mandate law, a bank shall not only account for fund trailer fees obtained from third parties in connection with a client's mandate, but also be obliged to forward respective amounts to a client, provided the client has not validly waived the right to reclaim such fees. The Bank has assessed this decision by

the Swiss Federal Supreme Court and other court decisions relevant in this context – i.e. the Bank continues to assess such court decisions and developments, the mandate structures to which the Court decisions might be applicable, and the documentation as well as the impact of respective waivers and communicated bandwidths that were introduced in the past on an ongoing basis – and has implemented appropriate measures to address the matter.

The Bank is confronted with a claim by the liquidator of a Lithuanian corporation arguing that the Bank did not prevent two of its clients from embezzling assets of such corporation. In this context, the liquidator as of 2013 presented draft complaints with different claim amounts for a potential Swiss proceeding and initiated payment orders ('Betreibungsbegehren') against the Bank in the amount of CHF 422 million (plus accrued interest from 2009). On 8 February 2017, the Bank was served with a claim from said Lithuanian corporation in liquidation in the amount of EUR 306 million. The court proceeding against the Bank was initiated in Lithuania. On 19 October 2018, the Lithuanian court of last instance definitively rejected local jurisdiction, thereby terminating the litigation against the Bank in Lithuania. On 1 July 2019, the Bank was served with a conciliation request from the liquidator representing the assets of the Lithuanian corporation in liquidation filed with the first instance court in Geneva, related to a claim of EUR 335 million plus accrued interest since 2011. On 8 January 2020, the Bank was served with the corresponding claim in the amount of EUR 335 million plus accrued interest at a rate of 5% per annum since December 2011. The Bank is continuing to contest the claim whilst taking appropriate measures to defend its interests.

In the context of an investigation against a former client regarding alleged participation in an environmental certificate-trading-related tax fraud in France, a formal procedure into suspected lack of due diligence in financial transactions/money laundering was initiated against the Bank in June 2014 and dismissed for formal reasons by a Court Order in March 2017. The deposit in the amount of EUR 3.75 million made in October 2014 by the Bank with the competent French court as a precautionary measure representing the amount of a potential fine accordingly was reimbursed to the Bank. However, in

July 2017 the same amount was deposited again as a new investigatory procedure with respect to the same matter was initiated against the Bank. In May 2020, following an application by the prosecutor, the court admitted a new indictment against the Bank in this matter. A trial in the matter took place in December 2021 at which a fine of EUR 5 million and a restitution amount of EUR 2 million was proposed to be charged against the Bank. The competent court of First Instance is expected to render its decision in March 2022. The Bank has cooperated with the French authorities within the confines of applicable laws to clarify the situation and to protect its interests.

The Bank is confronted with a claim by a former client arguing that the Bank initiated transactions without appropriate authorisations and that the Bank has not adhered to its duties of care, trust, information and warnings. In April 2015, the former client presented a complaint for an amount of USD 70 million (plus accrued interest) and BRL 24 million, which, in January 2017, he supported with a payment order ('Betreibungsbegehren') in various currencies filed against the Bank in the total amount of then approximately CHF 91.3 million (plus accrued interest). Since December 2017, the Bank has received yearly payment orders in various currencies in the total amount of currently approximately CHF 139 million (plus accrued interest). The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

In November 2014, the Bank was served in Geneva with a claim by an investment fund, acting on its behalf and on behalf of three other funds, in the total amount of USD 29 million (plus accrued interests). The funds were former clients of Bank of China (Suisse) SA, which was acquired by the Bank in 2012. Additionally, in October 2015, the claimant filed an amendment of claim in court, by which a further USD 39 million was claimed. In March 2017, the claimant reduced the total claimed amount to USD 44.6 million. The claimant argues that Bank of China (Suisse) SA acted not only as a custodian bank, but also as secured creditor and manager of the funds, and tolerated excess in leverage. It claims that the funds suffered a severe loss consequent upon the liquidation of almost their entire portfolio of assets in May 2010 and argues that this

liquidation was performed by Bank of China (Suisse) SA without the consent of the funds' directors and was ill-timed, disorderly and occurred in exceptionally unusual market conditions. The Bank is contesting the claim whilst taking appropriate measures to defend its interests. In addition, such claims in principle are subject to acquisition-related representation and warranties provisions.

The Bank has received inquiries from, and has been cooperating with, authorities in Switzerland and the USA investigating corruption and bribery allegations surrounding Petróleos de Venezuela S.A. (PDVSA). These requests in particular focused on persons named in the indictment 'United States of America v. Francisco Convit Guruceaga, et al.' of 23 July 2018. The authorities in Switzerland and abroad have, in addition to the corruption and bribery allegations against third parties, opened investigations and are inquiring whether financial institutions failed to observe due diligence standards as applied in financial services and in particular in the context of anti-money laundering laws in relation to suspicious and potentially illegal transactions. FINMA's related enforcement procedure against the Bank and Julius Baer Group Ltd. was closed by an order as published on 20 February 2020. Julius Baer has been supporting related inquiries and investigations and has been cooperating with the competent authorities. In the meantime, FINMA also lifted an acquisition ban at the end of March 2021 initially imposed with the closing of the enforcement procedure in February 2020. Related to the PDVSA matter, in November 2019, a former employee filed a labour law-based claim in the amount of USD 34.1 million in Venezuela against several Julius Baer companies combined with a respective precautionary seizure request in the double amount. Julius Baer is contesting the claim and seizure request while taking appropriate measures to defend its interests.

The Bank was confronted with a Swiss court procedure in which a client, in the context of a mature loan arrangement, requests the release of certain assets, which have been blocked by the Bank and third-party custodians and their sub-custodians under US Office of Foreign Assets Control ('OFAC') sanctions. The procedure related to questions of applicability and enforceability of international sanctions and orders under local Swiss law. The Bank was defending its position in the context of its regulatory duties to respect international orders and sanctions and abide by its contractual agreements with third-party custody banks. The competent court has decided in favour of the Bank in November 2020, and the Swiss Federal Supreme Court has ultimately confirmed such decision in August 2021. In the same context, against the background of recent political and regulatory intensification of the topic of international sanctions, the Bank had addressed this issue with the OFAC with which it is also in resumed discussion to resolve certain open issues with regard to historic compliance with OFAC regulations. A resolution in the latter legacy matter is expected to be reached in 2022.

In May 2021, the Bank became aware that a Writ of Summons ('the Writ') had been registered against it at the Registry of the High Court of the Hong Kong Special Administrative Region, Court of First Instance. The Writ had been filed by SRC International (Malaysia) Limited ('SRC') claiming the sum of approximately USD 112 million from the Bank, alleging the Bank was in breach of its fiduciary duty of care by accepting and processing payment instructions for the transfer of funds during the period 25 October 2013 to September 2016. The Bank will contest such civil claim, which has not been served, and will take all appropriate measures to defend its interests in this matter.

NOTE 17A OTHER ASSETS

	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000
Precious metals (physical)	4,108,107	4,288,079
Tax receivables	3,051,873	1,668,762
Accounts receivable	9,102	5,259
Pension asset	3,797	-
Other	181,836	375,180
Total	7,354,715	6,337,280

NOTE 17B OTHER LIABILITIES

	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000
Lease liability	131,587	169,631
Other tax payable	41,548	45,464
Accounts payable	4,853	4,551
Other	88,616	241,930
Total	266,604.0	461,576

ADDITIONAL INFORMATION

NOTE 18 EARNINGS PER SHARE AND SHARES OUTSTANDING

	2021	2020
Basic earnings per share		
Net profit (CHF 1,000)	807,631	613,767
Weighted average number of shares outstanding	5,750,000	5,750,000
Basic earnings per share (CHF)	140.46	106.74

	31.12.2021	31.12.2020
Shares outstanding		
Total shares issued (par value CHF 100)	5,750,000	5,750,000

	31.12.2021	31.12.2020
Share capital		
Total share capital outstanding (CHF 1,000)	575,000	575,000

	2021	2020
Dividend proposal		
Dividend proposal 2021 and dividend 2020 per share (CHF)	107.83	62.61

There are no dilutive effects.

There is no authorised share capital.

NOTE 19 REPORTING BY SEGMENT

The Bank engages exclusively in wealth management activities primarily in Switzerland, Europe, Asia and South America. This focus on pure-play wealth management includes certain internal supporting functions which serve entirely the core business activities. Revenues from wealth management activities primarily encompass commissions charged for servicing and advising wealth management clients as well as net interest income on financial instruments.

The Bank's external segment reporting is based on the internal reporting to the chief operating decision maker, which is responsible for allocating resources and assesses the financial performance of the business. The Executive Board of Julius Baer Group Ltd. has been identified as the chief operating decision maker, as this board is responsible for the implementation of the overall strategy and the operational management of the whole Group. The Executive Board of the Group is composed of the Chief Executive Officer, Chief Financial Officer, Heads of Regions (Switzerland, Europe, Middle East & Africa/Asia Pacific/Americas), Heads of

Investments & Wealth Management Solutions, Chief Investment Officer, Chief Operating Officer & Head Intermediaries and Chief Risk Officer.

Various management reports with discrete financial information are prepared at regular intervals for various management levels. However, the Executive Board of the Group reviews and uses for its management decisions the consolidated financial reports on the level of the Group only.

In accordance with the applicable rules and based on the analysis of the relevant factors determining segments, the Bank consists of a single reportable segment. This is in line with the strategy and business model of Bank Julius Baer & Co. Ltd. and reflects the management structure and the use of information by management in making operating decisions.

Therefore, the Bank does not disclose separate segment information, as the external reporting provided in these financial statements reflects the internal management accounting.

Entity-wide disclosures

	31.12.2021 Non-current assets CHF m	31.12.2020 CHF m	2021 Operating income CHF m	2020 CHF m
Switzerland	2,253	2,225	2,096	1,934
Europe (excl. Switzerland)	55	57	197	152
Asia and other countries	361	392	876	824
Less consolidation items	-	-	114	106
Total	2,669	2,674	3,055	2,804

The information about geographical areas is based on the domicile of the reporting companies. This geographical information does not reflect the way the Bank is managed.

NOTE 20 RELATED PARTY TRANSACTIONS

	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000
Key management personnel compensation¹		
Salaries and other short-term employee benefits	22,000	19,036
Post-employment benefits	955	984
Share-based payments	14,743	13,471
Total	37,698	33,491
Receivables from		
Julius Baer Group entities	933,800	361,727
significant shareholders ²	3,069,388	2,777,019
key management personnel	31,052	6,112
Total	4,034,240	3,144,858
Liabilities to		
Julius Baer Group entities	5,522,549	4,946,728
significant shareholders ²	2,473,294	2,155,077
key management personnel	21,263	8,736
own pension funds	4,290	4,448
Total	8,021,396	7,114,989
Credit guarantees to		
Julius Baer Group entities	167,828	44,638
key management personnel	111	184
Total	167,939	44,822
Income from services provided to		
Julius Baer Group entities	375,661	343,352
significant shareholders ²	144,502	142,290
key management personnel	537	182
Total	520,700	485,824
Services provided by		
Julius Baer Group entities	55,938	61,545
significant shareholders ²	2,692	6,487
Total	58,630	68,032

¹ Key management personnel consists of the Board of Directors and the Executive Board of Julius Baer Group Ltd.

The Executive Board of the Group company consists of the Chief Executive Officer, Chief Financial Officer,

Heads of Regions (Switzerland, Europe, Middle East & Africa/Asia Pacific/Americas),

Heads of Investments & Wealth Management Solutions, Chief Investment Officer, Chief Operating Officer & Head Intermediaries and Chief Risk Officer.

² Julius Baer Group Ltd.

The loans granted to key management personnel consist of Lombard loans on a secured basis (through pledging of securities portfolios) and mortgages on a fixed and variable basis.

Transactions with Group entities and own pension funds are at arm's length.

The interest rates of the Lombard loans and mortgages are in line with the terms and conditions that are available to other employees, which are in line with the terms and conditions granted to third parties adjusted for reduced credit risk.

NOTE 21 PENSION PLANS AND OTHER EMPLOYEE BENEFITS

The Bank maintains various defined contribution and defined benefit pension plans in Switzerland and abroad. The pension plans in Switzerland have been set up on the basis of the Swiss method of defined contributions under the Swiss pension law. Employees and pensioners or their survivors receive statutorily determined benefits upon leaving the Bank or retiring as well as in the event of death or invalidity. These benefits are the result of the conversion rate applied on the accumulated balance of the individual plan participant's pension account at the retirement date. The accumulated balance equals the sum of the regular employer's and employee's contribution that have been made during the employment period, including the accrued interest on these amounts. However, these plans do not fulfil all the criteria of a defined contribution pension plan according to IAS 19 and are therefore treated as defined benefit pension plans for the purpose of the Bank's financial statements.

The pension obligations are largely covered through pension plan assets of pension funds that are legally separated and independent from the Bank. In case the plans become significantly underfunded over an extended time period according to the Swiss pension law basis, the Bank and the employees share the risk of additional payments into the pension fund. The pension funds are managed by a board of trustees consisting of representatives of the employees and the employer. Management of the pension funds includes the pursuit of a medium- and long-term consistency and sustainability between the pension plans' assets and liabilities, based on a diversified investment strategy correlating with the maturity of the pension obligations. The organisation, management, financing and investment strategy of the pension plans comply with the legal requirements, the foundation charters and the applicable pension regulations.

	2021 CHF 1,000	2020 CHF 1,000
1. Development of pension obligations and assets		
Present value of defined benefit obligation at the beginning of the year	-3,178,226	-3,090,290
Current service cost	-77,750	-79,059
Employees' contributions	-44,818	-44,499
Interest expense on defined benefit obligation	-6,469	-7,873
Past service cost, curtailments, settlements, plan amendments	4,633	-554
Benefits paid (including benefits paid directly by employer)	109,359	115,011
Transfer payments in/out	20	-567
Experience gains/(losses) on defined benefit obligation	-201,193	-30,043
Actuarial gains/(losses) arising from change in demographic assumptions ¹	81,816	-
Actuarial gains/(losses) arising from change in financial assumptions	-41,897	-41,788
Translation differences	-601	1,436
Present value of defined benefit obligation at the end of the year	-3,355,126	-3,178,226
<i>whereof due to active members</i>	-2,277,855	-2,106,676
<i>whereof due to deferred members</i>	-12,691	-14,703
<i>whereof due to pensioners</i>	-1,064,580	-1,056,847
Fair value of plan assets at the beginning of the year	3,096,134	2,953,207
Interest income on plan assets	6,361	7,615
Employees' contributions	44,818	44,499
Employer's contributions	95,755	96,932
Curtailments, settlements, plan amendments	-1,506	-1,730
Benefits paid by fund	-109,359	-115,011
Transfer payments in/out	-20	567
Administration cost (excluding asset management cost)	-1,038	-1,032
Return on plan assets (excluding interest income)	323,871	112,138
Translation differences	404	-1,051
Fair value of plan assets at the end of the year	3,455,420	3,096,134

¹ In 2021, the Bank switched from the BVG 2015 mortality table - with future improvements determined by calibrating the Continuous Mortality Investigation ('CMI') 2016 model to Swiss population data - to the BVG 2020 CMI mortality table.

	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000
2. Balance sheet		
Fair value of plan assets	3,455,420	3,096,134
Present value of defined benefit obligation	-3,355,126	-3,178,226
Surplus (deficit)	100,294	-82,092
Effect of the asset ceiling	-96,497	-
Net defined benefit asset/(liability)	3,797	-82,092

	2021 CHF 1,000	2020 CHF 1,000
3. Income statement		
Current service cost	-77,750	-79,059
Interest expense on defined benefit obligation	-6,469	-7,873
Past service cost, curtailments, settlements, plan amendments	3,127	-2,284
Interest income on plan assets	6,361	7,615
Administration cost (excluding asset management cost)	-1,038	-1,032
Defined benefit cost recognised in the income statement	-75,769	-82,633
<i>whereof service cost</i>	-75,661	-82,375
<i>whereof net interest on the net defined benefit/(liability) asset</i>	-108	-258

4. Movement in defined benefit liability

Net defined benefit asset/(liability) at the beginning of the year	-82,092	-137,083
Translation differences	-197	385
Defined benefit cost recognised in the income statement	-75,769	-82,633
Employer's contributions	95,755	96,932
Remeasurements of the net defined benefit liability/(asset)	66,100	40,307
Amount recognised in the balance sheet	3,797	-82,092

Remeasurements of the net defined benefit liability/(asset)

Actuarial gains/(losses) of defined benefit obligation	-161,274	-71,831
Return on plan assets (excluding interest income)	323,871	112,138
Effect of asset ceiling	-96,497	-
Total recognised in other comprehensive income	66,100	40,307

5. Composition of plan assets

Cash	120,751	90,597
Debt instruments	860,308	866,248
Equity instruments	1,418,749	1,172,490
Real estate	625,486	541,247
Alternative investments	424,525	420,050
Other	5,601	5,502
Total	3,455,420	3,096,134

	2021 %	2020 %
6. Aggregation of plan assets – quoted market prices in active markets		
Cash	3.49	2.93
Debt instruments	21.90	26.74
Equity instruments	41.06	37.87
Real estate	7.18	7.93
Other	5.62	6.10
Total	79.25	81.57

	2021 CHF 1,000	2020 CHF 1,000
7. Sensitivities		
Decrease of discount rate - 0.25%		
Effect on defined benefit obligation	-92,935	-99,140
Effect on service cost	-3,017	-3,560
Increase of discount rate + 0.25%		
Effect on defined benefit obligation	87,759	88,186
Effect on service cost	2,832	2,984
Decrease of salary increase - 0.25%		
Effect on defined benefit obligation	10,436	10,434
Effect on service cost	962	986
Increase of salary increase + 0.25%		
Effect on defined benefit obligation	-10,666	-10,669
Effect on service cost	-985	-1,010
Life expectancy		
Increase in longevity by one additional year	-80,362	-72,413

Actuarial calculation of pension assets and obligations

The latest actuarial calculation was carried out as at 31 December 2021. The actuarial assumptions are

based on local economic conditions and are as follows for Switzerland, which accounts for about 99% (2020: 99%) of all benefit obligations and plan assets:

	2021	2020
Discount rate	0.25%	0.20%
Average future salary increases	0.50%	0.50%
Future pension increases	0.00%	0.00%
Duration (years)	14	15

Investment in Julius Baer Group Ltd. shares

The pension plan assets are invested in accordance with local laws and do not include shares of Julius Baer Group Ltd.

Expected employer contributions

The expected employer contributions for the 2022 financial year related to defined benefit plans are estimated at CHF 90.0 million.

Outstanding liabilities to pension plans

The Bank had outstanding liabilities to various pension plans in the amount of CHF 4.3 million (2020: CHF 4.4 million).

Defined contribution pension plans

The Bank maintains a number of defined contribution pension plans outside Switzerland. In the case of defined contribution pension plans, the pension expenses are charged to the income statement in the corresponding financial year. The expenses for contributions to these pension plans amounted to CHF 23.4 million for the 2021 financial year (2020: CHF 20.8 million).

NOTE 22 SECURITIES TRANSACTIONS

Securities lending and borrowing transactions / repurchase and reverse repurchase transactions

	31.12.2021 CHF m	31.12.2020 CHF m
Receivables		
Receivables from cash provided in securities borrowing transactions	-	6.2
<i>of which recognised in due from banks</i>	-	6.2
Receivables from cash provided in reverse repurchase transactions	24.1	1,258.0
<i>of which recognised in due from banks</i>	24.1	1,258.0
Obligations		
Obligations to return cash received in securities lending transactions	60.0	252.1
<i>of which recognised in due to banks</i>	60.0	252.1
Obligations to return cash received in repurchase transactions	296.9	82.5
<i>of which recognised in due to banks</i>	296.9	82.5
Securities collateral		
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	2,411.4	1,092.2
<i>of which securities the right to pledge or sell has been granted without restriction</i>	2,411.4	1,092.2
<i>of which recognised in financial assets measured at FVTPL</i>	2,411.1	952.8
<i>of which recognised in financial assets measured at FVOCI</i>	0.3	139.4
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	5,792.7	4,267.6
<i>of which repledged or resold securities</i>	5,361.8	3,701.9

The Bank enters into fully collateralised securities borrowing and securities lending transactions and repurchase and reverse repurchase agreements that may result in credit exposure in the event that the counterparty may be unable to fulfil the contractual obligations. Generally, the transactions are carried out under standard agreements employed by market participants (e.g. Global Master Securities Lending Agreements or Global Master Repurchase

Agreements). The related credit risk exposures are controlled by daily monitoring and adjusted collateralisation of the positions. The financial assets which continue to be recognised on the balance sheet are typically transferred in exchange for cash or other financial assets. The related liabilities can therefore be assumed to be approximately the same as the carrying amount of the transferred financial assets.

NOTE 23 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives held for trading

	Contract/ Notional amount CHF m	Positive replacement value CHF m	Negative replacement value CHF m
Foreign exchange derivatives			
Forward contracts	107,655.6	663.8	846.2
Futures	183.4	0.9	0.4
Cross-currency swaps	173.6	0.7	7.3
Options (OTC)	19,435.6	185.7	130.5
Total foreign exchange derivatives 31.12.2021	127,448.2	851.1	984.4
Total foreign exchange derivatives 31.12.2020	123,056.3	1,046.8	1,325.6
Interest rate derivatives			
Swaps	38,266.9	119.4	131.0
Futures	466.1	0.9	0.7
Options (OTC)	216.3	8.0	8.0
Total interest rate derivatives 31.12.2021	38,949.3	128.3	139.7
Total interest rate derivatives 31.12.2020	23,206.6	143.6	177.4
Precious metals derivatives			
Forward contracts	2,439.2	22.5	30.1
Futures	119.1	2.0	2.0
Options (OTC)	3,553.0	47.6	51.0
Options (traded)	1,063.8	-	30.3
Total precious metals derivatives 31.12.2021	7,175.1	72.1	113.4
Total precious metals derivatives 31.12.2020	9,535.0	170.0	234.5
Equity/indices derivatives			
Futures	1,006.4	32.8	6.5
Options (OTC)	10,898.4	487.7	220.2
Options (traded)	25,811.0	481.9	1,139.4
Total equity/indices derivatives 31.12.2021	37,715.8	1,002.4	1,366.1
Total equity/indices derivatives 31.12.2020	31,697.0	1,184.7	923.2
Other derivatives			
Futures	325.2	3.9	2.6
Total other derivatives 31.12.2021	325.2	3.9	2.6
Total other derivatives 31.12.2020	64.5	0.3	0.8

Derivatives held for trading (continued)

	Contract/ Notional amount CHF m	Positive replacement value CHF m	Negative replacement value CHF m
Credit derivatives			
Credit default swaps	83.5	0.1	0.5
Total return swaps	1,385.2	29.8	48.1
Total credit derivatives 31.12.2021	1,468.7	29.9	48.6
Total credit derivatives 31.12.2020	994.0	11.2	36.6
Total derivatives held for trading 31.12.2021	213,082.3	2,087.7	2,654.8
Total derivatives held for trading 31.12.2020	188,553.4	2,556.6	2,698.1

Derivatives held for hedging

Derivatives designated as fair value hedges

Interest rate swaps	1,555.5	8.3	16.6
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Derivatives designated as cash flow hedges

Interest rate swaps	544.9	-	8.9
Foreign exchange derivatives	464.7	1.0	1.1

Total derivatives held for hedging 31.12.2021	2,565.1	9.3	26.6
Total derivatives held for hedging 31.12.2020	1,184.3	19.7	11.9
Total derivative financial instruments 31.12.2021	215,647.4	2,097.0	2,681.4
Total derivative financial instruments 31.12.2020	189,737.7	2,576.3	2,710.0

NOTE 24A FINANCIAL INSTRUMENTS – FAIR VALUES

Financial assets

	Carrying value CHF m	31.12.2021 Fair value CHF m	Carrying value CHF m	31.12.2020 Fair value CHF m
Financial assets measured at amortised cost				
Cash	17,275.4	17,275.4	12,095.7	12,095.7
Due from banks	5,101.5	5,104.1	7,258.2	7,261.1
Loans	46,399.0	46,763.2	43,394.8	43,784.8
Accrued income	281.3	281.3	254.8	254.8
Other assets	9.1	9.1	5.3	5.3
Total	69,066.3	69,433.1	63,008.8	63,401.7
Financial assets measured at FVTPL				
Financial assets measured at FVTPL	14,681.2	14,681.2	13,557.6	13,557.6
Derivative financial instruments	2,097.0	2,097.0	2,576.3	2,576.3
Financial assets designated at fair value	306.9	306.9	252.2	252.2
Total	17,085.1	17,085.1	16,386.1	16,386.1
Financial assets measured at FVOCI				
Financial assets measured at FVOCI	13,231.5	13,231.5	13,653.0	13,653.0
Total	13,231.5	13,231.5	13,653.0	13,653.0
Total financial assets	99,382.9	99,749.7	93,047.9	93,440.8

Financial liabilities

	Carrying value CHF m	31.12.2021 Fair value CHF m	Carrying value CHF m	31.12.2020 Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	8,011.6	8,017.4	8,519.5	8,523.6
Due to customers	75,458.6	75,548.5	69,842.7	69,978.0
Debt issued	774.3	774.3	-	-
Accrued expenses	173.1	173.1	138.7	138.7
Other liabilities	4.9	4.9	4.6	4.6
Total	84,422.5	84,518.2	78,505.5	78,644.9
Financial liabilities measured at FVTPL				
Financial liabilities measured at FVTPL	749.5	749.5	896.5	896.5
Derivative financial instruments	2,681.4	2,681.4	2,710.0	2,710.0
Financial liabilities designated at fair value	14,459.0	14,459.0	13,154.8	13,154.8
Total	17,889.9	17,889.9	16,761.3	16,761.3
Total financial liabilities	102,312.4	102,408.1	95,266.8	95,406.2

The following methods are used in measuring the fair value of financial instruments:

Short-term financial instruments

Financial instruments measured at amortised cost with a maturity or a refinancing profile of one year or less are generally classified as short-term. This includes the balance sheet items cash and, depending on the maturity, due from banks, loans, due to banks, due to customers and debt issued. For short-term financial instruments which do not have a market price published by a recognised stock exchange or notable market (referred to hereinafter as a market price), the carrying value generally approximates the fair value.

Long-term financial instruments

Financial instruments measured at amortised cost with a maturity or refinancing profile of over one year are included in the following balance

sheet items: due from banks, loans, due to banks, due to customers and debt issued. The fair value of these long-term financial instruments which do not have a market price is derived by using the net present value method. For loans, generally, the Libor rate is used to calculate the net present value of the loans, as these assets are fully collateralised and therefore the specific counterparty risk has no material impact on the fair value measurement. For amounts due to banks and due to customers, a Libor-based internal rate is used. For debt issued, the quoted prices of the bonds determine the fair value.

Trading assets and liabilities measured at FVTPL, financial assets measured at FVOCI, derivative financial instruments and financial liabilities designated at fair value

Refer to Note 24B for details regarding the valuation of these instruments.

NOTE 24B FINANCIAL INSTRUMENTS – FAIR VALUE DETERMINATION

For financial instruments measured at fair value through profit or loss (FVTPL) as well as for financial assets measured at fair value through other comprehensive income (FVOCI), the fair values are determined as follows:

Level 1

For financial instruments for which prices are quoted in an active market, the fair value is determined directly from the quoted market price.

Level 2

For financial instruments for which quoted market prices are not directly available or are not derived from active markets, fair values are estimated using valuation techniques or models based wherever possible on assumptions supported by observable market prices or rates existing on the balance sheet date. This is the case for the majority of OTC derivatives, most unquoted financial instruments, the vast majority of the Bank's issued structured notes and other items that are not traded in active markets. The main pricing models and valuation techniques applied to these financial instruments include forward pricing and swap models using present-value calculations, and option models such as the Black-Scholes model. The values derived from applying these models and techniques are significantly impacted by the choice of the valuation model used and the underlying assumptions made, such as the amounts and timing of future cash flows, discount rates, volatility, or credit risk.

Level 3

For certain financial instruments, neither quoted market prices nor valuation techniques or models based on observable market prices are available for determining the fair value. In these cases, fair value is estimated indirectly using valuation techniques or models based on reasonable assumptions reflecting market conditions.

Financial assets measured at FVTPL and financial assets measured at FVOCI: The Bank holds a limited number of shares in companies in adjacent business areas, which are measured at fair value through profit or loss. Additionally, the Bank holds shares in service providers such as SIX Swiss Exchange,

Euroclear and SWIFT, which are required for the operation of the Bank and are reported as financial assets measured at FVOCI, with changes in the fair value recognised in other comprehensive income. The determination of the fair value of these financial instruments is based on the reported or published net asset value of the investees. The net asset values are adjusted by management for any necessary impacts from events which may have an influence on the valuation (adjusted net asset method). In 2021, dividends related to these investments in the amount of CHF 21.0 million (2020: CHF 1.8 million) have been recognised in the income statement.

Financial instruments designated at fair value: The Bank issues to its wealth management clients a limited number of specific structured notes, which are intended to be fully invested in private equity investments. Since the notes may not be fully invested in private equity as from the beginning, the portion currently not yet invested is placed in money market instruments, short-term debt funds, or held in cash. Although the clients contractually bear all the related risks and rewards from the underlying investments, these financial instruments are not derecognised from the Bank's balance sheet due to the strict derecognition criteria required by IFRS. Therefore, the private equity investments as well as the money market instruments are recorded as financial assets designated at fair value. Any changes in the fair value or any other income from the private equity investments, as well as any income related to the money market instruments, are recorded in the income statement. However, as the clients are entitled to all rewards related to the investments, these amounts net out in the respective line item in the income statement. Hence, any change in the valuation inputs has no impact on the Bank's income statement or shareholders' equity.

To measure the fair values of the private equity investments, the Bank generally relies on the valuations as provided by the respective private equity funds managing the investments. These funds in turn use their own valuation techniques, such as market approaches or income approaches, including their own input factors into the applied

models. Therefore, the private equity investments are reported in level 3 of the fair value hierarchy, as the fair values are determined based on models with unobservable market inputs. The related

issued notes are reported as financial liabilities designated at fair value and classified as level 3 instruments, due to the related private equity investments being part of the valuation of the notes.

The fair value of financial instruments carried at fair value is determined as follows:

				31.12.2021
	Quoted market price Level 1 CHF m	Valuation technique market- observable inputs Level 2 CHF m	Valuation technique non-market- observable inputs Level 3 CHF m	Total CHF m
Assets and liabilities measured at fair value				
Trading – debt instruments at FVTPL	2,262.2	715.6	286.0	3,263.8
Trading – equity instruments at FVTPL	9,179.2	2,232.9	5.3	11,417.4
Total financial assets measured at FVTPL	11,441.4	2,948.5	291.3	14,681.2
Foreign exchange derivatives	0.9	851.2	-	852.1
Interest rate derivatives	0.9	135.7	-	136.6
Precious metal derivatives	2.0	70.1	-	72.1
Equity/indices derivatives	32.8	969.6	-	1,002.4
Credit derivatives	-	29.9	-	29.9
Other derivatives	3.9	-	-	3.9
Total derivative financial instruments	40.5	2,056.5	-	2,097.0
Financial assets designated at fair value	22.1	97.1	187.7	306.9
Debt instruments at FVOCI	9,776.8	3,115.4	-	12,892.2
Equity instruments at FVOCI	-	-	339.3	339.3
Financial assets measured at FVOCI	9,776.8	3,115.4	339.3	13,231.5
Total assets	21,280.8	8,217.5	818.3	30,316.6
Short positions – debt instruments	132.6	41.4	-	174.0
Short positions – equity instruments	548.3	27.2	-	575.5
Total financial liabilities measured at FVTPL	680.9	68.6	-	749.5
Foreign exchange derivatives	0.4	985.1	-	985.5
Interest rate derivatives	0.7	164.5	-	165.2
Precious metal derivatives	2.0	111.4	-	113.4
Equity/indices derivatives	6.5	1,359.6	-	1,366.1
Credit derivatives	-	48.6	-	48.6
Other derivatives	2.6	-	-	2.6
Total derivative financial instruments	12.2	2,669.2	-	2,681.4
Financial liabilities designated at fair value	-	14,122.3	336.7	14,459.0
Total liabilities	693.1	16,860.1	336.7	17,889.9

For financial instruments measured at FVTPL, no material shifts between the fair value levels have occurred due to COVID-19 in 2021 and 2020.

	31.12.2020			
	Quoted market price Level 1 CHF m	Valuation technique market- observable inputs Level 2 CHF m	Valuation technique non-market- observable inputs Level 3 CHF m	Total CHF m
Assets and liabilities measured at fair value				
Trading – debt instruments at FVTPL	2,866.2	298.8	232.9	3,397.9
Trading – equity instruments at FVTPL	8,222.9	1,886.4	50.4	10,159.7
Total financial assets measured at FVTPL	11,089.1	2,185.2	283.3	13,557.6
Foreign exchange derivatives	-	1,046.8	-	1,046.8
Interest rate derivatives	1.2	162.1	-	163.3
Precious metal derivatives	0.2	169.8	-	170.0
Equity/indices derivatives	28.4	1,156.3	-	1,184.7
Credit derivatives	-	11.2	-	11.2
Other derivatives	0.3	-	-	0.3
Total derivative financial instruments	30.1	2,546.2	-	2,576.3
Financial assets designated at fair value	8.6	64.7	178.9	252.2
Debt instruments at FVOCI	10,252.6	3,128.1	-	13,380.7
Equity instruments at FVOCI	-	-	272.3	272.3
Financial assets measured at FVOCI	10,252.6	3,128.1	272.3	13,653.0
Total assets	21,380.4	7,924.2	734.5	30,039.1
Short positions – debt instruments	217.0	22.5	-	239.5
Short positions – equity instruments	626.3	30.7	-	657.0
Total financial liabilities measured at FVTPL	843.3	53.2	-	896.5
Foreign exchange derivatives	4.8	1,320.8	-	1,325.6
Interest rate derivatives	0.1	189.2	-	189.3
Precious metal derivatives	1.7	232.8	-	234.5
Equity/indices derivatives	5.7	917.5	-	923.2
Credit derivatives	-	36.6	-	36.6
Other derivatives	0.8	-	-	0.8
Total derivative financial instruments	13.1	2,696.9	-	2,710.0
Financial liabilities designated at fair value	-	12,889.8	265.0	13,154.8
Total liabilities	856.4	15,639.9	265.0	16,761.3

The fair value of financial instruments disclosed at fair value is determined as follows:

				31.12.2021
	Quoted market price Level 1 CHF m	Valuation technique market- observable inputs Level 2 CHF m	Valuation technique non-market- observable inputs Level 3 CHF m	Total CHF m
Financial assets and liabilities disclosed at fair value				
Cash	17,275.4	-	-	17,275.4
Due from banks	-	5,104.1	-	5,104.1
Loans	-	46,763.2	-	46,763.2
Accrued income	-	281.3	-	281.3
Other assets	-	9.1	-	9.1
Total assets	17,275.4	52,157.7	-	69,433.1
Due to banks	-	8,017.4	-	8,017.4
Due to customers	-	75,548.5	-	75,548.5
Debt issued	774.3	-	-	774.3
Accrued expenses	-	173.1	-	173.1
Other liabilities	-	4.9	-	4.9
Total liabilities	774.3	83,743.9	-	84,518.2

				31.12.2020
	Quoted market price Level 1 CHF m	Valuation technique market- observable inputs Level 2 CHF m	Valuation technique non-market- observable inputs Level 3 CHF m	Total CHF m
Financial assets and liabilities disclosed at fair value				
Cash	12,095.7	-	-	12,095.7
Due from banks	-	7,261.1	-	7,261.1
Loans	-	43,784.8	-	43,784.8
Accrued income	-	254.8	-	254.8
Other assets	-	5.3	-	5.3
Total assets	12,095.7	51,306.0	-	63,401.7
Due to banks	-	8,523.6	-	8,523.6
Due to customers	-	69,978.0	-	69,978.0
Accrued expenses	-	138.7	-	138.7
Other liabilities	-	4.6	-	4.6
Total liabilities	-	78,644.9	-	78,644.9

NOTE 24C FINANCIAL INSTRUMENTS – TRANSFERS BETWEEN FAIR VALUE LEVEL 1
 AND LEVEL 2

	31.12.2021 <i>CHF m</i>	31.12.2020 <i>CHF m</i>
Transfers from level 1 to level 2		
Financial assets measured at FVTPL	35.7	14.1
Financial assets measured at FVOCI	16.7	42.4
Financial assets designated at fair value	-	5.6
Financial liabilities	0.9	0.5
Transfers from level 2 to level 1		
Financial assets measured at FVTPL	46.0	45.7
Financial assets measured at FVOCI	63.7	103.5
Financial liabilities	0.4	-

The transfers between level 1 and 2, and vice versa, occurred due to changes in the direct availability of quoted market prices. Transfers between the levels are deemed to have occurred at the end of the reporting period.

NOTE 25A FINANCIAL INSTRUMENTS – EXPECTED CREDIT LOSSES

An entity is required to recognise expected credit losses at initial recognition of any financial instrument and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of the respective instruments. Refer to the comment on risk management/credit risk section and the summary of significant accounting policies for the relevant background information related to the recognition of expected credit losses.

Expected credit loss (ECL) stage allocation

Credit exposure is classified in one of the three ECL stages. At initial recognition, the Bank classifies all financial assets in stage 1, as it does not acquire or originate credit-impaired debt instruments. If a significant risk increase has occurred to the financial instrument, the instrument moves from stage 1 to stage 2. The threshold applied varies depending on the original credit quality of the counterparty. For assets with lower default probabilities at origination due to good credit quality of the counterparty, the threshold for a significant increase in credit risk is set at a higher level than for assets with higher default probabilities at origination.

The Bank generally originates loans and balances due from banks in its internal rating classes R1–R4, which reflect balances with low to medium credit risk. The same applies to the investment grade debt instruments held for investment purposes, which are also classified as R1–R4. Therefore, the Bank determined that moves within these rating classes do not qualify for an increased credit risk, whereas a move from R4 to R5 generally triggers such a credit risk increase. Hence, under this approach, moves from R4 to a higher risk class (R5–R6) generally trigger a move from stage 1 ECL to stage 2 ECL. For example a counterparty moving from R1 to R2 would not trigger a significant increase in credit risk, whereas a counterparty moving from R1 to R5 would.

In addition, and to supplement this quantitative criterion, qualitative criteria based on other available internal data are applied to identify increased risk situations. These qualitative criteria are specific to the respective financial asset types (Lombard loans, mortgages, due from banks, debt instruments).

For example if payments are 30 days past due, the counterparty is moved to stage 2 and lifetime expected credit losses are applied.

The model is symmetric, meaning that if the transfer condition (significant increase) is no longer met, the counterparty is transferred back into the 12-month expected credit losses category (stage 1).

Financial instruments are credit-impaired and therefore recognised in stage 3 if they are classified in R7–R10 of the internal credit rating. These ratings are applied to positions with high credit risk; they are carried in the Bank's internal list of exposures which are in a loss position. Such positions show objective evidence of impairment and are referred to as defaulted. Generally, Lombard loans and mortgages are moved to these rating classes if the respective position is not fully covered anymore, i.e. the market value of the collateral is lower than the credit exposure, (critical) credit covenants are not complied with, or any payments are 90 days past due, to name some of the criteria.

ECL measurement

The Bank has modelled its impairment loss estimation methodology to quantify the impact of the expected credit losses on its financial statements for stage 1 ECL and stage 2 ECL. The four models (for the Lombard loans business, mortgages business, due from banks business and treasury business, respectively) are generally based on the specific financial instrument's probability of default (PD), its loss given default (LGD) and the exposure at default (EAD). These models have been tailored to the Bank's fully collateralised Lombard loans and mortgages, and the high-quality debt instruments in the treasury portfolio as outlined below.

For the credit-impaired financial assets in stage 3, the loss allowances are not measured based on a model, but determined individually according to the specific facts and circumstances.

Wherever the Bank uses scenarios in the ECL calculation process, three different settings are applied to take future market situations into account: a baseline, an upside and a downside scenario. Expected

probabilities are allocated to the respective scenario; the weightings used for the current year's ECL calculation are 70% for the baseline scenario, 15% for the downside scenario and 15% for the upside scenario. However, the calculation of the ECL is mostly driven by the downside scenario, whereas the baseline and upside scenarios have only limited impact on the measurement of the ECL due to the Bank's credit policy (fully collateralised portfolios). Therefore, an increase in the weighting of the downside scenario would consequently increase the ECL in stage 1 and stage 2.

To apply the expected future economic conditions in the models, the Bank determined the forecast world gross domestic product (GDP) as the main economic input factor for the expected credit losses on its financial asset portfolios, as the counterparties have fully collateralised Lombard loans or mortgages with the Bank or the portfolios consist of investment grade debt instruments. Other forward-looking main macroeconomic factors proved to be of lesser relevance for the Bank's portfolios as a whole. A decrease in the expected GDP would have a negative impact on the ECL in stage 1 and stage 2.

In addition, for each portfolio, supplementary product-specific factors are used as outlined in the following paragraphs. These scenario factors are based on the assessment of the credit department and the risk department for current and expected market developments in the respective product areas. These factors are updated and confirmed on a regular basis by the Bank's ECL committee, which comprises officers from the risk, credit risk and treasury departments.

Due from banks

For due-from-banks positions, the input factors are determined as follows:

Probability of Default: For amounts due from banks, publicly available PDs per rating class are applied, using the same PDs for stage 1 and stage 2, as the outstanding balances have a term of maximum 12 months. PDs for an expected life shorter than one year are derived from the available one-year PDs by linear reduction. The ratings and the related PDs are shifted by one notch of the internal rating up and

down, using publicly available data sources for the respective PDs. The three scenarios are weighted based on the generally applied probabilities.

Exposure at Default: For amounts due from banks, the EAD equals either the nominal value (money market issues, time accounts), or the carrying value (current and transactional accounts).

Loss Given Default: For amounts due from banks, an average LGD per rating class is applied. This factor is derived from publicly available data sources.

Lombard loans

For Lombard loans, the input factors are determined as follows:

Probability of Default: For Lombard loans, PD factors are derived from the Bank-internal 'margin call process' in Lombard lending. This process reflects internal procedures to avoid loan losses and is based on

- the probability that the credit position gets into a significant shortfall within one year;
- the probability that the credit position becomes unsecured within 10 days; and
- the liquidation process to cover the exposure,

taking into consideration their respective probabilities.

This margin call process is simulated for each rating class (R1–R6) and for stage 1 and stage 2 separately. The resulting PDs are then applied uniformly across all counterparties and related Lombard loans in the respective rating class.

Exposure at Default: For Lombard loans, the EAD equals the higher of a) the current exposure (based on data from the internal credit supervision system comprising the following credit exposures: cash exposure, derivative exposure, contingent liabilities and reservations); and b) the lower of the lending value or approved limit. The Bank therefore assumes the highest possible risk (i.e. the highest outstanding) in determining the EAD, including any unused credit commitments. Consequently, even if no exposure is drawn under the limit, an ECL is calculated.

Loss Given Default: For Lombard loans the LGDs are formula-based, including the market value of the collateral on a client pledge Bank level. Scenario calculations on the market value of the collateral are performed, resulting in different LGDs per scenario. Three scenarios (base, up and down), including the probability of the respective scenario, are applied in the process.

Mortgages

For mortgages, the input factors are determined as follows:

Probability of Default: For mortgages, the PD factor is specifically determined for each counterparty and the related property based on the following input criteria:

- economic area of the counterparty domicile;
- counterparty domicile and property location (country) is the same;
- sufficient assets/collateral within the Bank to pay interest/amortisation;
- counterparty self-used versus rented-out real estate; and
- stage 1 or stage 2.

For each of these criteria, fixed parameters are determined (based on experience) which then add up to the mortgage counterparty-specific PD factors. These criteria have been selected as it is assumed that they influence directly the default behaviour of the counterparty behind the mortgages.

Exposure at Default: For mortgages, the carrying value (exposure) equals the EAD.

Loss Given Default: For mortgages, the LGD is based on scenario calculations on the market value of the real estate collateral and other pledged assets, which is then set in relation to the loan amount (Loan-to-Value ratio; LTV). Three scenarios (base, up and down), including the probability of the respective scenario, are applied in the process. However, instead of applying a fixed percentage for the negative scenario to all real estate

uniformly, the negative scenario is based on the combination of a base factor and additional penalties depending on the following real estate specific criteria:

- property location (country/region);
- property size as a function of the property market value;
- property type (e.g. residential, office, commercial); and
- holiday home regions.

For each of these criteria, fixed parameters (based on experience) are determined which then add up to the mortgage-specific negative scenario. These criteria are selected as the resulting different characteristics of the real estate market generally respond differently to market fluctuations and hence the achievable collateral liquidation value. The total simulated market value is then compared with the exposure to determine the LGD.

Treasury portfolio

For the treasury portfolio (debt instruments measured at FVOCI), the input factors are determined as follows:

Probability of Default: For financial instruments in the treasury portfolio (debt securities, including money market instruments), publicly available PDs per rating class are applied, separately for stage 1 (one-year PD or shorter) and stage 2 (respective PD according to expected life). These ratings and the related PDs are shifted by two notches up and down, using publicly available data sources for the respective PDs. The three scenarios are then weighted based on the generally applied probabilities. PDs for an expected life shorter than one year are derived from the available one-year PDs by linear reduction.

Exposure at Default: For debt instruments, the EAD equals the amortised cost value plus discounted outstanding interest payments.

Loss given Default: For the debt instruments, an average LGD per rating class is applied. These factors are derived from publicly available data sources.

Credit quality analysis

The following tables provide an analysis of the Bank's exposure to credit risk by credit quality and expected credit loss stage; they are based on the Bank's internal credit systems.

Exposure to credit risk by credit quality

					31.12.2021
	Moody's rating	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	Total CHF m
Due from banks, at amortised cost					
R1–R4: Low to medium risk		5,022.2	-	-	5,022.2
R5–R6: Increased risk		79.4	-	-	79.4
R7–R10: Impaired		-	-	-	-
Total		5,101.6	-	-	5,101.6
Loss allowance		-0.1	-	-	-0.1
Carrying amount		5,101.5	-	-	5,101.5
Lombard loans, at amortised cost¹					
R1–R4: Low to medium risk		38,773.2	30.1	-	38,803.3
R5–R6: Increased risk		1,290.2	200.4	-	1,490.6
R7–R10: Impaired		-	-	119.7	119.7
Total		40,063.4	230.5	119.7	40,413.6
Loss allowance		-4.9	-0.1	-79.2	-84.2
Carrying amount		40,058.5	230.4	40.5	40,329.4
Mortgages, at amortised cost¹					
R1–R4: Low to medium risk		5,657.6	346.4	-	6,004.0
R5–R6: Increased risk		1.8	34.6	-	36.4
R7–R10: Impaired		-	-	30.7	30.7
Total		5,659.4	381.0	30.7	6,071.1
Loss allowance		-0.6	-0.1	-0.8	-1.5
Carrying amount		5,658.8	380.9	29.9	6,069.6
Debt instruments, at FVOCI					
R1–R4: Low to medium risk	Aaa – Baa3	12,847.9	-	-	12,847.9
R5–R6: Increased risk	Ba1 – B3	-	-	-	-
R7–R10: Impaired	Caa1 – C	45.6	-	-	45.6
Carrying amount		12,893.5	-	-	12,893.5
Loss allowance		-1.3	-	-	-1.3

¹ Loss allowance on overdue interest payments and cancelled credit-impaired mortgages (CHF 8.8 million), as well as their corresponding exposures (CHF 33.4 million) are allocated to Lombard loans.

					31.12.2020
	Moody's rating	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	Total CHF m
Due from banks, at amortised cost					
R1–R4: Low to medium risk		6,831.2	-	-	6,831.2
R5–R6: Increased risk		427.1	-	-	427.1
R7–R10: Impaired		-	-	-	-
Total		7,258.3	-	-	7,258.3
Loss allowance		-0.1	-	-	-0.1
Carrying amount		7,258.2	-	-	7,258.2
Lombard loans, at amortised cost					
R1–R4: Low to medium risk		34,908.4	25.4	-	34,933.8
R5–R6: Increased risk		1,741.3	207.1	-	1,948.4
R7–R10: Impaired		-	-	87.3	87.3
Total		36,649.7	232.5	87.3	36,969.5
Loss allowance		-2.5	-0.3	-71.6	-74.4
Carrying amount		36,647.2	232.2	15.7	36,895.1
Mortgages, at amortised cost					
R1–R4: Low to medium risk		6,132.1	306.6	-	6,438.7
R5–R6: Increased risk		16.2	20.2	-	36.4
R7–R10: Impaired		-	-	28.4	28.4
Total		6,148.3	326.8	28.4	6,503.5
Loss allowance		-1.0	-0.1	-2.7	-3.8
Carrying amount		6,147.3	326.7	25.7	6,499.7
Debt instruments, at FVOCI					
R1–R4: Low to medium risk	Aaa – Baa3	13,382.5	-	-	13,382.5
R5–R6: Increased risk	Ba1 – B3	-	-	-	-
R7–R10: Impaired	Caa1 – C	-	-	-	-
Carrying amount		13,382.5	-	-	13,382.5
Loss allowance		-1.8	-	-	-1.8

The macroeconomic scenarios used in the ECL calculation models have been reviewed in the light of the ongoing challenging economic environment and the related uncertainty due to COVID-19. The growth assumption (based on the gross domestic products) used in the baseline scenario has been adjusted for year-end reporting 2021, resulting in a positive forecast again for the coming periods. The other input factors applied in the ECL calculation models did not have to be adjusted, as they proved to be reliable and robust. Likewise, the models used for the ECL calculation have not been modified due to the pandemic.

The ECL calculations did not reveal any material losses to be recognised for year-end reporting 2021.

However, as the significant uncertainty regarding the development of the macroeconomic situation persists, the input factors used in the ECL models are monitored on an ongoing basis and may have to be adjusted further in the next reporting periods.

Expected credit losses

The following tables present the development of the Bank's expected credit losses by stage; they are based on the Bank's internal credit systems:

	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	Total CHF m
Due from banks, at amortised cost				
Balance at 1 January 2021	0.1	-	-	0.1
Net remeasurement of loss allowance	-0.0	-	-	-0.0
New/increase financial assets	0.1	-	-	0.1
Financial assets that have been derecognised	-0.1	-	-	-0.1
Changes in models/risk parameters	-0.0	-	-	-0.0
Balance at 31 December 2021	0.1	-	-	0.1

Lombard loans, at amortised cost

Balance at 1 January 2021	2.5	0.3	71.6	74.4
Transfer to/(from) 12-month ECL	0.2	-0.2	-	-
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	0.0	-
Transfer to/(from) lifetime ECL credit-impaired	-0.0	-0.0	0.0	-
Net remeasurement of loss allowance	-1.8	-0.1	0.8	-1.1
New/increase financial assets	4.6	0.0	5.1 ¹	9.7
Financial assets that have been derecognised	-0.5	-0.0	-0.0	-0.5
Write-offs	-	-	-1.8	-1.8
Changes in models/risk parameters	-0.1	0.0	0.0	-0.1
Foreign exchange and other movements	-	-	3.6	3.6
Balance at 31 December 2021	4.9	0.0	79.3	84.2

Mortgages, at amortised cost

Balance at 1 January 2021	1.0	0.1	2.7	3.8
Net remeasurement of loss allowance	0.1	-	2.7	2.8
New/increase financial assets	0.4	0.1	-	0.5
Financial assets that have been derecognised	-0.9	-0.1	-2.7	-3.7
Changes in models/risk parameters	0.0	-	-	0.0
Foreign exchange and other movements	-	-	-1.9	-1.9
Balance at 31 December 2021	0.6	0.1	0.8	1.5

¹ Including outstanding accumulated interest.

	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	Total CHF m
Debt instruments, at FVOCI				
Balance at 1 January 2021	1.8	-	-	1.8
Net remeasurement of loss allowance	-0.1	-	-	-0.1
New financial assets purchased	0.3	-	-	0.3
Financial assets that have been derecognised	-0.7	-	-	-0.7
Changes in models/risk parameters	-0.0	-	-	-0.0
Foreign exchange and other movements	-0.0	-	-	-0.0
Balance at 31 December 2021	1.3	-	-	1.3

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	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	Total CHF m
Due from banks, at amortised cost				
Balance at 1 January 2020	0.2	-	-	0.2
Net remeasurement of loss allowance	-0.0	-	-	-0.0
New/increase financial assets	0.0	-	-	0.0
Financial assets that have been derecognised	-0.1	-	-	-0.1
Changes in models/risk parameters	0.0	-	-	0.0
Balance at 31 December 2020	0.1	-	-	0.1
Lombard loans, at amortised cost				
Balance at 1 January 2020	4.5	0.4	34.0	38.9
Transfer to/(from) 12-month ECL	0.0	-0.0	-	-
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	-	-
Transfer to/(from) lifetime ECL credit-impaired	-0.0	-	0.0	-
Net remeasurement of loss allowance	-21.4	0.0	47.2	25.8
New/increase financial assets	22.1	0.2	6.0 ¹	28.3
Financial assets that have been derecognised	-2.5	-0.3	-8.3	-11.1
Write-offs	-	-	-0.9	-0.9
Changes in models/risk parameters	-0.2	-0.0	-0.0	-0.2
Foreign exchange and other movements	-	-	-6.4	-6.4
Balance at 31 December 2020	2.5	0.3	71.6	74.4
Mortgages, at amortised cost				
Balance at 1 January 2020	0.6	0.5	2.7	3.8
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	-	-
Net remeasurement of loss allowance	-0.1	0.0	2.2	2.1
New/increase financial assets	0.9	0.1	-	1.0
Financial assets that have been derecognised	-0.3	-0.5	-2.2	-3.0
Write-offs	-	-	-	-
Changes in models/risk parameters	-0.1	0.0	-	-0.1
Balance at 31 December 2020	1.0	0.1	2.7	3.8
Debt instruments, at FVOCI				
Balance at 1 January 2020	1.2	0.1	-	1.3
Net remeasurement of loss allowance	-0.2	-	-	-0.2
New financial assets purchased	1.3	-	-	1.3
Financial assets that have been derecognised	-0.5	-0.1	-	-0.6
Changes in models/risk parameters	-0.0	-	-	-0.0
Foreign exchange and other movements	-0.0	-	-	-0.0
Balance at 31 December 2020	1.8	-	-	1.8

¹ Including outstanding accumulated interest.

NOTE 25B FINANCIAL INSTRUMENTS – CREDIT RISK ANALYSIS

Maximum exposure to credit risk

The following table shows the Bank's theoretical maximum exposure to credit risk as of the balance sheet date, which represents the exposure in the

event of other parties failing to perform their obligations, without taking account of any collateral held or other credit enhancements. For financial assets, these exposures are typically the carrying amount.

Maximum exposure to credit risk

	31.12.2021 Gross maximum exposure CHF m	31.12.2020 Gross maximum exposure CHF m
Due from banks	5,101.5	7,258.2
Loans	46,399.0	43,394.8
Financial assets measured at FVTPL	3,263.8	3,397.9
Derivative financial instruments	2,097.0	2,576.3
Financial assets designated at fair value	306.9	252.2
Financial assets measured at FVOCI	12,892.2	13,380.7
Accrued income	281.3	254.8
Other assets	9.1	5.3
Total ¹	70,350.8	70,520.2
Off-balance sheet		
Irrevocable commitments ²	417.6	452.3
Total maximum exposure to credit risk	70,768.4	70,972.5

¹ Cash, including balances held with central banks, is not considered a credit risk and hence excluded from all credit risk analysis.

² These amounts reflect the maximum payments the Bank is committed to making.

Refer to the comment on risk management/credit risk section for discussions on concentration of credit risk.

NOTE 25C FINANCIAL INSTRUMENTS – COLLATERAL ANALYSIS

Collateral analysis

For Lombard loans, the principal types of collateral are readily marketable debt and equity securities as well as other eligible assets; for mortgages,

residential properties serve as main collateral. The following table provides information regarding the Loan-to-Value (market value) ratio for the respective credit products.

	31.12.2021	31.12.2020
	CHF m	CHF m
Loan-to-Value ratio (LTV)		
Lombard loans		
Less than 50%	24,677.1	23,375.0
51–70%	10,440.0	9,244.2
71–90%	4,381.7	4,025.3
91–100%	747.5	200.6
More than 100%	42.6	34.3
Total	40,288.9	36,879.4
Mortgages		
Less than 50%	2,673.5	2,600.9
51–70%	2,830.3	3,198.3
71–90%	528.6	665.3
91–100%	7.3	9.4
More than 100%	-	-
Total	6,039.7	6,473.9
Credit-impaired Lombard loans¹		
Less than 50%	-	-
51–70%	3.9	-
71–100%	20.1	-
More than 100%	16.5	15.7
Total	40.5	15.7
Credit-impaired mortgages¹		
Less than 50%	-	-
51–70%	23.6	1.6
71–100%	4.6	24.2
More than 100%	1.7	-
Total	29.9	25.8

¹ Exposures of overdue interest payments and cancelled credit-impaired mortgages (2021: carrying amount of CHF24.7 million) are allocated to credit-impaired Lombard loans.

NOTE 25D FINANCIAL INSTRUMENTS – OFFSETTING

As a wealth manager, the Bank enters into securities transactions and derivative financial instruments. In order to control the credit exposure and reduce the credit risk related to these transactions, the Bank applies credit mitigation strategies in the ordinary course of business. The Bank enters into master netting agreements with counterparties to mitigate the credit risk of securities lending and borrowing transactions, repurchase and reverse repurchase transactions and over-the-counter derivative transactions. Such arrangements include Global Master Securities Lending Agreements or Global Master Repurchase Agreements, as well as ISDA Master Agreements for derivatives.

The majority of exposures to securities transactions and over-the-counter derivative financial instruments are collateralised, with the collateral being prime financial instruments or cash.

However, under IFRS, to be able to offset transactions with the same counterparty on the balance sheet, the right of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable for all counterparties in the event of default, insolvency or bankruptcy. As the Bank's arrangements may not fulfil the strict offsetting criteria as required by IFRS, the Bank does not offset the respective amounts related to these transactions on the balance sheet. Consequently,

the remaining credit risk on securities lending and borrowing as well as on repurchase and reverse repurchase transactions is fully mitigated.

Securities transactions: As the Bank does not apply netting on its balance sheet, the cash collateral provided in securities borrowing and reverse repurchase transactions in the amount of CHF 24.1 million (2020: CHF 1,264.2 million) and the cash collateral received in securities lending and repurchase transactions in the amount of CHF 356.9 million (2020: CHF 334.6 million) as disclosed in Note 22 are not offset with the respective counterparty positions in the balance sheet.

Derivative financial instruments: The derivative financial instruments consist of over-the-counter as well as exchange-traded derivatives. The majority of over-the-counter derivatives in the total amount of CHF 1,574.6 million (positive replacement values) and CHF 1,499.5 million (negative replacement values) are subject to an enforceable netting agreement. Transactions with other banks are generally collateralised with other financial instruments (derivatives) which are recognised on the Bank's balance sheet. With non-banking counterparties, the collateral recognised is generally cash balances. None of these balances related to the derivatives transactions are offset on the balance sheet.

NOTE 26 MARKET RISK MEASURES

Market risk refers to the potential losses through changes in the valuation of its assets and liabilities because of changes in market prices, volatilities, correlations and other valuation-relevant factors. Refer to the comment on risk management/market risk section for the relevant background information related to the Bank's market risk.

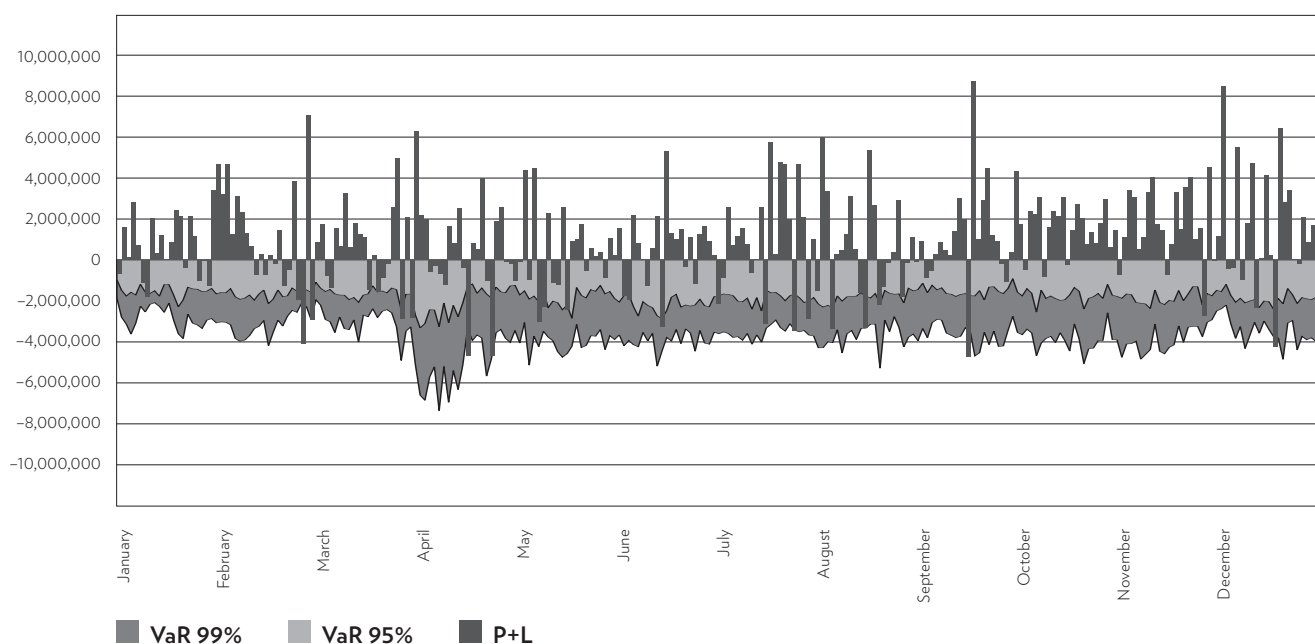
Market risk measurement, market risk limitation, back-testing and stress testing

The following methods are used to measure and limit market risk: value at risk (VaR) limits, sensitivity or concentration limits (delta, vega, basis-point and nominal limits as well as scenario analysis), and country limits for trading positions. VaR, the key risk figure, measures the magnitude of the loss on a portfolio that, under normal circumstances and for a specific probability (confidence interval), will not be exceeded during the observed holding period. The VaR of the Group amounted to CHF 1.95 million on 31 December 2021 and

CHF 0.94 million on 31 December 2020 (one-day holding period, 95% confidence interval).

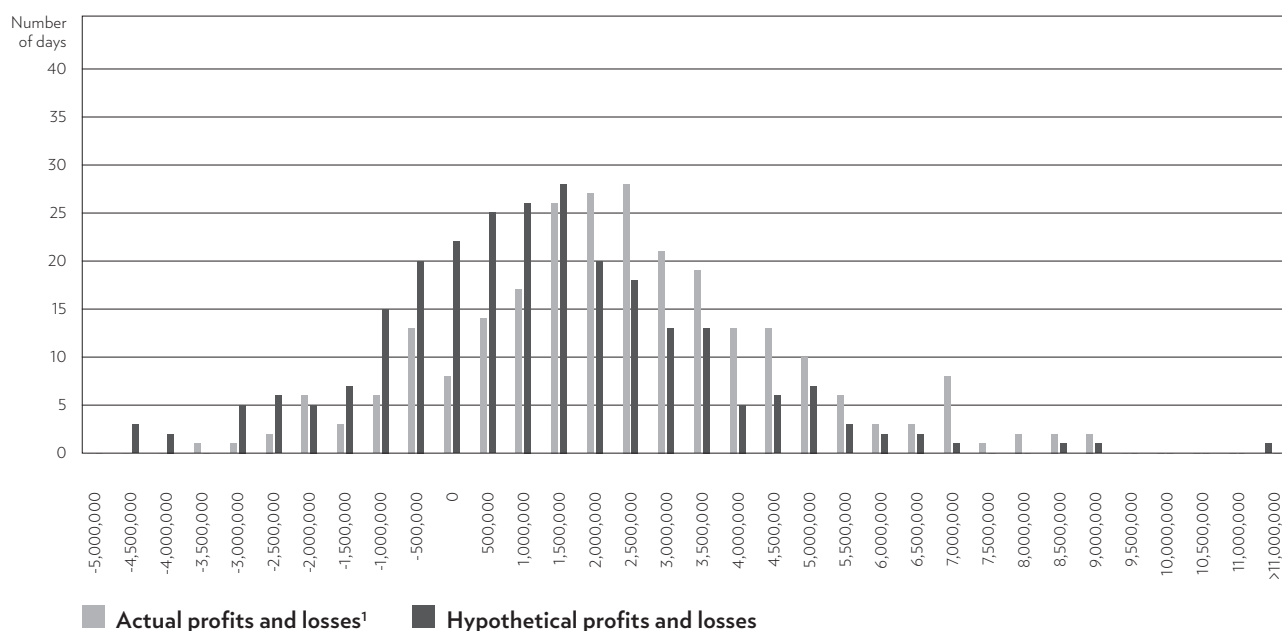
The maximum VaR recorded in 2021 amounted to CHF 3.29 million; the minimum was CHF 0.90 million (CHF 5.07 million and CHF 0.51 million in 2020). The adequacy of the VaR calculation, which is based on historical market movements, is monitored through regular back-testing. This involves the comparison of the VaR values calculated each day with the hypothetical gains or losses which would have occurred if the end-of-day positions had been left unchanged on the next trading day. The following chart shows the daily calculations of VaR in 2021 (at confidence intervals of 95% and 99% and for a one-day holding period) compared with these hypothetical gains or losses. A back-testing exception occurs when the change in overall position value resulting from the back-testing simulation is negative and its absolute value is greater than the VaR (at a confidence interval of 99%) for the relevant day's closing positions.

Back testing of Bank Julius Baer trading book positions in 2021 (CHF)



The following chart compares these hypothetical gains and losses with the actual profit and loss generated by the trading operations of the Bank. To ensure comparability, pure commission income has been removed from these income statement results.

Distribution of daily revenues from trading activities of Bank Julius Baer for 2021 (CHF)



¹ Pure trading revenues excluding commissions and fees

Whereas VaR forecasts identify potential losses during normal market conditions, daily stress tests are carried out in order to estimate the consequences of extreme market swings. Limits are set for both these risk metrics and their utilisation is monitored on a daily basis. The daily stress tests are periodically complemented by additional tests based on historical scenarios. Additional stress tests, reflecting specific market and political situations, are also carried out.

According to Circular 2008/20, FINMA may disregard individual back-testing exceptions if the institution is able to prove that these exceptions are not attributable to a lack of precision of the risk aggregation model. FINMA has used this discretion according to FINMA Guidance 06/2020 so that the back-testing exceptions caused by the COVID-19 pandemic would not lead to an increase of VaR

capital multipliers. Concerning the 12-month period starting on 01 January 2021 and ending on 31 December 2021, the FINMA Guidance 06/2020 is no longer applicable and the Bank does not register any exception in relation with the COVID-19 pandemic anymore.

At the beginning of 2021, the preceding 12-month period contained seven back-testing exceptions that fell out of the observation period during the course of 2021. From these seven exceptions, six exceptions are attributable to the COVID-19 pandemic.

On 25 February 2021, an exception was caused by a short-lived market squeeze across US equity volatility skews, FX volatility skew on selected G10 currencies as well as a counter-cyclical USD interest rates curve flattening. All of which simultaneously and adversely affected the Group's P&L. On 19 April 2021,

an exception was caused by an increase of the volatility skews for selected equities and indices and by the use of conservative proxies for which the time series were not available. On 16 September 2021, a general drop in the market prices and increase of the volatilities lead to another exception. Finally, on 16 December 2021, another increase of market volatility caused an exception.

As of 31 December 2021, the overall number of back-testing exceptions stands therefore at four. As such, the VaR capital multiplier applied by the Bank remained constant.

All back-testing violations are examined individually and each is reported to the Chief Executive Officer, the Chief Risk Officer, the internal and external auditors and the Swiss Financial Market Supervisory Authority (FINMA).

VaR method and regulatory capital

For its VaR calculation, the Bank uses historical simulation with complete revaluation of all trading positions in each instance. The historical simulation is based on empirically observed changes in market parameters (prices, yield curves, volatilities) over the last 300-trading-day period. As a result, correlation is taken into account implicitly, without having to draw on calculations and assumptions based on a correlation matrix. The risk management platform and the internal market risk models of the Bank fulfil the relevant regulatory requirements and have been approved by FINMA for use in determining the capital requirement for market risks in the trading book.

In addition to the normal VaR calculations detailed above, a so-called stress-based VaR calculation is also carried out. Instead of the historical prices observed over the last 300 trading days, this stress-based VaR calculation uses those observed during a highly volatile period in the past (the stress period). The Group's stress-based VaR amounted to CHF 3.61 million on 31 December 2021 and CHF 3.82 million on 31 December 2020 (for a one-day holding period and a 95% confidence interval). The maximum stress-based VaR recorded in 2021 amounted to CHF 7.45 million; the minimum was CHF 2.13 million (CHF 6.77 million and CHF 0.78 million in 2020). Under FINMA regulations, the capital requirement for market risk is the sum of the normal VaR and the stress-based VaR.

For additional information regarding the calculation of the Group's minimum regulatory capital requirements under Basel III Pillar 3, refer to the separate Basel III Pillar 3 Report published in the Regulatory Disclosures section of the website www.juliusbaer.com (this will be available at the end of April 2022).

The specific risk of the Bank's fixed-income trading positions is calculated according to the standard method. The incremental risk charge and comprehensive risk-capital-charge requirements are not applicable.

The following table is a summary of the VaR positions of the Bank's trading portfolios:

Market risk – VaR positions by risk type

	At 31 December CHF 1,000	Average CHF 1,000	Maximum CHF 1,000	2021 Minimum CHF 1,000
Equities	-621	-696	-2,979	-5
Interest rates	-708	-1,251	-2,541	-624
Foreign exchange/precious metals	-61	-446	-1,579	-20
Effects of correlation	-557			
Total	-1,947	-1,791	-3,294	-905

	At 31 December CHF 1,000	Average CHF 1,000	Maximum CHF 1,000	2020 Minimum CHF 1,000
Equities	-82	-831	-3,451	1
Interest rates	-1,379	-971	-1,642	-657
Foreign exchange/precious metals	-199	-413	-1,545	4
Effects of correlation	720			
Total	-940	-1,719	-5,073	-511

NOTE 27A INTEREST RATE MARKET RISK MEASURES

One measure of interest rate risk can be provided by showing the impact of a positive change of 1% (+100 basis points) in the entire yield curve in the respective currency. The table below, broken down according to maturity bands and currencies, shows the results of such a scenario as at 31 December 2021. Negative values under this scenario reflect a potential drop in fair value within the respective maturity band; positive values reflect a potential

increase in fair value. This risk measure is also used to carry out scenario analyses on a regular basis. As there are no material option structures in the banking book, a negative change of 1% in the yield curves would result in scenario values of similar magnitude but with the opposite sign, though such outcomes are mitigated by the fact that the yield curves for the markets in which the Bank carries out most of its activities are currently close to zero.

Interest-rate-sensitive positions

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total CHF 1,000
Interest sensitivity by time bands and 100 bp parallel increase						
CHF						
2021	10,010	6,909	37,991	32,775	-58,801	28,884
2020	8,668	-551	27,536	38,648	-51,927	22,374
USD						
2021	13,304	-11,267	7,074	1,603	-88,337	-77,623
2020	11,338	-5,246	9,703	39,923	8,007	63,725
EUR						
2021	5,192	-5,080	-2,976	16,722	-4,551	9,307
2020	4,848	-4,663	-8,475	4,801	-8,628	-12,117
Other						
2021	3,569	-3,909	-2,673	29,092	-5	26,074
2020	2,491	-4,264	901	27,287	-353	26,062

In addition, the effect on interest earnings resulting from a parallel shift of 1% in the yield curve is measured. In this gap analysis, the interest-bearing assets and liabilities are offset within maturity bands. The impact of the yield curve shift on the residual exposure over the time horizon from

the next repricing date to a point 12 months ahead is measured. Based on the assumptions described above and further assuming that the Bank took no mitigating action, the modelled effect on interest earnings would have been CHF -221.4 million at the end of 2021 (2020: CHF -118.6 million).

NOTE 27B HEDGE ACCOUNTING

Fair value hedges of interest rate risk

The Bank hedges part of its interest rate exposure from fixed rate CHF denominated mortgages to changes in fair value by using interest rate swaps on a portfolio basis. Such portfolio hedges are based on mortgages with similar maturities and the hedge relationships are rebalanced on a monthly basis. The amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses are amortised over the remaining terms to maturity of the hedged items using the straight-line method.

In addition, different interest rate swaps are used to hedge the interest rate risks of some of the time deposits of the Bank which are denominated in USD, CHF or SGD, as well as a very limited number of mortgages. The fixed legs of these swaps are in correspondence to the respective (fixed rate) time deposits and mortgages. As such, the interest rate risk of each asset is substantially reduced to the interest rate risk of the floating rate leg of the respective swap.

The counterparties of the swaps transactions used for portfolio hedges as well as those used for the single hedges are investment-grade counterparties. However, the Bank does not incur any credit risk with these derivative instruments as all credit risk is eliminated due to clearing or collateral agreements in place. Prior to committing to a hedge relationship, an assessment takes place in order to justify that the fair value of the hedged item and the hedging instrument do offset their interest rate risks and that the economic hedge relationships meet the hedge accounting criteria. Besides this qualitative assessment, regular quantitative assessments are carried out based on prospective (i.e. forward looking, using regression analysis) as well as retrospective effectiveness tests. These tests allow assessing whether the hedging instrument is expected to be or has been highly effective in offsetting changes in the fair value of the hedged item. Hedge ineffectiveness may arise from minor differences in the core data of the time deposits and swap fixed leg, or the interest rate sensitivities of the floating leg of the swap.

	Hedges of time deposits (single hedges) CHF m	Hedges of mortgages (single hedges) CHF m	31.12.2021 Hedges of mortgages (portfolio hedges) CHF m
Hedged items			
Amortised cost value	1,127.4	20.2	399.1
Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged item	3.8	-	25.2
Carrying amount hedged items	1,131.2	20.2	424.3
Hedging instruments - interest rate swaps			
Notional amount (overall average fixed interest rate: 0.80%)	1,127.5		
- whereof remaining maturity < 1 year (average fixed interest rate: 1.83%)	217.6		
- whereof remaining maturity 1–5 years (average fixed interest rate: 0.9%)	649.9		
- whereof remaining maturity > 5 years (average fixed interest rate: -0.33%)	260.0		
Notional amount (overall average fixed interest rate: -0.31%)		18.0	
- whereof remaining maturity > 5 years (average fixed interest rate: -0.31%)		18.0	
Notional amount (overall average fixed interest rate: 0.77%)			410.0
- whereof remaining maturity < 1 year (average fixed interest rate: 0.90%)			220.0
- whereof remaining maturity 1–5 years (average fixed interest rate: 0.68%)			190.0
Positive replacement value	7.8	0.5	⁻¹
- related notional amount	554.3	18.0	-
Negative replacement value	-12.1	-	-4.5¹
- related notional amount	573.1	-	410.0
Hedge effectiveness testing and related ineffectiveness			
Change in fair value of hedged item used for calculation of hedge ineffectiveness	3.8	-	-1.0
Change in fair value of interest rate swaps used for calculation of hedge ineffectiveness	-4.3	0.5	0.7¹
Amount of hedge ineffectiveness recognised in the income statement	-0.5	0.5	-0.3
Termination of hedge relationship			
Accumulated amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses	-	-	25.4

¹ The change in fair value of the interest rate swaps used for the calculation of the hedge effectiveness for the portfolio hedges reflects the changes in the fair value of the latest hedge period only, whereas the sum of the positive and negative replacement values reflects the differences in fair values of the interest rate swaps between inception and reporting date.

	Hedges of time deposits (single hedges) CHF m	Hedges of mortgages (single hedges) CHF m	31.12.2020 Hedges of mortgages (portfolio hedges) CHF m
Hedged items			
Amortised cost value	635.1	20.4	526.0
Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged item	18.9	0.8	35.6
Carrying amount hedged items	654.0	21.2	561.6
Hedging instruments - interest rate swaps			
Notional amount (overall average fixed interest rate: 1.31%)	636.3		
- <i>whereof remaining maturity 1–5 years (average fixed interest rate: 1.48%)</i>	548.0		
- <i>whereof remaining maturity > 5 years (average fixed interest rate: 0.3%)</i>	88.4		
Notional amount (overall average fixed interest rate: -0.31%)		18.0	
- <i>whereof remaining maturity > 5 years (average fixed interest rate: -0.31%)</i>		18.0	
Notional amount (overall average fixed interest rate: 0.57%)			530.0
- <i>whereof remaining maturity < 1 year (average fixed interest rate: -0.09%)</i>			120.0
- <i>whereof remaining maturity 1–5 years (average fixed interest rate: 0.77%)</i>			410.0
- <i>whereof remaining maturity > 5 years (average fixed interest rate: -0.25%)</i>			-
Positive replacement value	19.7	-	- ¹
- <i>related notional amount</i>	548.0	-	-
Negative replacement value	-0.3	-0.1	-11.5 ¹
- <i>related notional amount</i>	88.4	18.0	530.0
Hedge effectiveness testing and related ineffectiveness			
Change in fair value of hedged item used for calculation of hedge ineffectiveness	-18.9	0.8	-0.7
Change in fair value of interest rate swaps used for calculation of hedge ineffectiveness	19.4	-0.1	0.6 ¹
Amount of hedge ineffectiveness recognised in the income statement	0.5	0.7	-0.1
Termination of hedge relationship			
Accumulated amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses	-	-	36.3

¹ The change in fair value of the interest rate swaps used for the calculation of the hedge effectiveness for the portfolio hedges reflects the changes in the fair value of the latest hedge period only, whereas the sum of the positive and negative replacement values reflects the differences in fair values of the interest rate swaps between inception and reporting date.

Cash flow hedges

As of 2021, the Bank started to apply cash flow hedge accounting to protect its recurring fees in foreign currencies. These fees represent an FX transaction risk for the Bank, as the Bank charges the clients for their fees based on the currency mix of the assets on a quarterly basis; hence, the forward-looking FX hedge transaction has the risk objective to protect the Bank's earnings from changes in the CHF (the functional currency of the Bank) against the respective currency of the fee charged. The Bank uses zero cost risk reversal (or collar) structures consisting of puts and calls; maturity of the hedges is on the same day as the hedged item (fees in foreign currency) are charged to the clients.

The effectiveness of the hedges is measured on the monthly change of the intrinsic value of the option

against the FX spot moves of the hedged item. The monthly change of the intrinsic value of the options will be booked to OCI as hedge result as long as the hedge is effective. The time value of the option is allocated to the income statement over the life time of the option. A possible ineffective portion of the hedge is also recognised in the income statement.

In addition, the Bank uses longer-term interest rate swaps to hedge the variability of future interest rate payments on selected Lombard loans with short maturities (and roll-over assumption). These loans share the same currency and type of risk.

The following table relates to the derivatives (FX options, interest rate swaps) used for the cash flow hedges and the related amounts recognised in OCI and income statement:

	31.12.2021	
	Interest rate hedges CHF m	FX hedges CHF m
Hedging instrument – Derivatives		
Positive replacement value of derivatives	-	1.0
Negative replacement values of derivatives	8.9	1.1
Nominal value of derivatives	544.9	464.7
Amounts recognised in OCI		
OCI on cash flow hedges	-8.7	-
Amounts recognised in the income statement		
Hedge ineffectiveness recognised in net income from financial instruments measured at FVTPL	-0.2	-
Amortisation of time value of the derivatives into income statement	-	-

NOTE 27C INTEREST RATE BENCHMARK REFORM

Background

The UK Financial Conduct Authority (FCA), which is responsible for supervising the publication of LIBOR reference rates, announced on 27 July 2017 that panel banks would no longer be required to provide inputs for the calculation of LIBOR after 31 December 2021. This sealed the fate of LIBOR after a series of events undermined its reliability and robustness. In the wake of this announcement, so-called alternative reference rates (ARRs) have been defined in most currency regions and serve as replacement rates for the IBOR rates.

Consequently, IBOR-related contracts and products of financial service providers had to switch to new, more robust rates for the currencies CHF, EUR, GBP and JPY as well as the USD LIBOR for 1-week and 2-month terms latest by 31 December 2021. All other USD LIBOR settings will cease to be published on 30 June 2023, with corresponding actions to be conducted until then.

Impact of IBOR Reform

The IBOR-cessation affects a number of financial instruments issued by the Bank, including credit facilities, derivatives and structured products. While a part of those financial instruments matured prior to the final IBOR-fixings, remaining contracts with maturities extending beyond the IBOR-cessation date have been switched to alternative external or internal benchmark solutions. With IBOR-cessation known since 2017, a majority of contracts contain so-called fallback clauses, which define the transition process or the successor rate directly. Cases without legally or operationally robust fallback clause in place needed case-by-case remediation.

The Bank had no material impact on its financial statements from the application of the new benchmark rates.

IBOR Transition Approach

A dedicated project team coordinated the transition away from IBORs. Internal subject matter experts representing the various affected areas supported the project team, which also relied on external counsel for ad-hoc legal advice. As of December 2021, the transition of non USD-LIBOR-based

financial instruments was completed. The transition progress of the products with the most significant IBOR exposures is reflected below:

- Variable rate mortgages: The vast majority of the mortgages was historically based on Bank Julius Baer & Co. Ltd.'s (the Bank) refinancing rate (for CHF, USD and JPY) while some EUR-mortgages have been referencing EURIBOR, which is not affected by the IBOR reform. This switch has been completed as of 31 December 2021.
- Lombard loans: Few credit facilities in CHF, USD and GBP were based on IBORs and replaced with the Bank's refinancing rate. Some booking centers already completed the switch in early 2021; others have completed their transition by 31 December 2021. The Bank's standard credit offering will keep on relying on the Bank's refinancing rate going forward, with selective use of ARRs.
- OTC-Derivatives: The vast majority of OTC-derivatives in the Bank's books are cleared via the London Clearing House (LCH). As such, the instruments were subject to the mass-migration events organized by the CCP in December 2021 (4 December for CHF and JPY and 18 December for GBP, respectively). For non-cleared OTC-derivatives, the Master Agreement of the International Swaps and Derivatives Association (ISDA) or the Swiss Master Agreement serve as contractual framework. To facilitate the IBOR transition, the ISDA published the IBOR Fallbacks Protocol for existing IBOR-referencing derivatives followed by the IBOR Fallbacks Supplement in autumn 2020 for new IBOR-based products. The Protocol operates in essence as an agreement to rely on the official successor rates (ARRs) for OTC-derivative trades, providing that both counterparties adhered to it. Virtually all of the Bank's counterparties signed the Protocol, while the Bank adhered in November 2020 already. The Swiss Bankers Association provided a proxy to the ISDA Fallbacks Protocol (the Benchmark Amendment Agreement) that the Bank used for its wealth management clients with positions governed by the Swiss Master Agreement.

- Structured Products: Structured products issued by the Bank were generally migrated to ARR in accordance with the fallback language of the respective Julius Baer Base Prospectus governing them. In a few instances with no open positions, the products were subject to early termination. This includes, among other products, certificates, notes and warrants.
- Tier 1 Bond: For the one 2019 Bank issuance for which the reset reference was LIBOR, the paying agent has developed a fallback mechanism in accordance with the National Working Bank recommendations based on SARON combined with spread adjustment. This mechanism kicked in upon CHF LIBOR cessation and investors were notified accordingly early 2022.

Current status and outlook

The transition from IBORs to the Bank's Refinancing Rate for credit facilities or to ARR for (non USD LIBOR) structured products and OTC-derivatives

has been completed by end of 2021. Credit facilities (mortgages and Lombard loans) referencing USD LIBOR have already been switched or at least have been equipped with a fallback clause for a switch in 2023 (CHF 482 million). OTC-derivatives (notional amount CHF 5,614 million) as well as structured products (CHF 466 million) and financial investments (CHF 211 million) based on USD LIBOR will be switched during the first half of 2023, ahead of the USD LIBOR-cessation and in line with the timeline provided by regulatory authorities and CCPs.

Risks

The IBOR-reform poses risks from an economic, operational and legal perspective, among other dimensions. The Bank is responding to these challenges by systemically identifying, assessing, and managing these risks along the existing policies, processes and project management best practices. However, the IBOR reform does not change the overall risk management strategy of the Bank.

NOTE 27D LIQUIDITY ANALYSIS

The following table shows an analysis of the Bank's financial liabilities by remaining contractual maturities as of the balance sheet date. Contrary to the balance sheet presentation, these amounts include the total of contractual undiscounted interest payments related to these financial liabilities. Liabilities without a stated maturity,

i.e. that can be called for repayment at any time, are classified as on demand. All derivative financial instruments held for trading are classified as on demand, as there are no single derivatives or classes of derivatives for which the contractual maturities are relevant for the timing of the total cash flows of the Bank.

Remaining contractual maturities of financial liabilities

	On demand CHF m	Due within 3 months CHF m	Due within 3 to 12 months CHF m	Due within 12 months to 5 years CHF m	Due after 5 years CHF m	Total CHF m
Financial liabilities recognised on balance sheet						
Due to banks	6,850.7	659.3	-	503.2	-	8,013.2
Due to customers	66,728.9	5,153.4	1,713.7	1,689.7	297.9	75,583.6
Financial liabilities measured at FVTPL	749.5	-	-	-	-	749.5
Derivative financial instruments	2,655.9	0.3	0.5 ¹	20.8 ¹	3.9 ¹	2,681.4
Financial liabilities designated at fair value	3,361.5	4,985.3	3,739.0	2,321.2	283.1	14,690.1
Accrued expenses	-	173.1	-	-	-	173.1
Other liabilities	-	4.9	-	-	-	4.9
Total 31.12.2021	80,346.5	10,976.3	5,453.2	4,534.9	584.9	101,895.8
Due to banks	7,906.9	940.1	9.8	2.2	-	8,859.0
Due to customers	61,411.6	5,396.5	1,280.5	1,672.4	307.9	70,068.9
Financial liabilities measured at FVTPL	896.5	-	-	-	-	896.5
Derivative financial instruments	2,698.1	0.1	0.3 ¹	11.1 ¹	0.4 ¹	2,710.0
Financial liabilities designated at fair value	3,089.6	4,698.5	3,024.5	2,156.5	338.3	13,307.4
Accrued expenses	-	138.7	-	-	-	138.7
Other liabilities	-	4.6	-	-	-	4.6
Total 31.12.2020	76,002.7	11,178.5	4,315.1	3,842.2	646.6	95,985.1
Financial liabilities not recognised on balance sheet						
Irrevocable commitments ²	339.8	1.5	23.4	52.9	-	417.6
Total 31.12.2021	339.8	1.5	23.4	52.9	-	417.6
Total 31.12.2020	361.3	0.4	29.6	54.9	6.1	452.3

¹ These derivatives are not held for trading but for hedging purposes.

² These amounts reflect the maximum payments the Bank is committed to making.

NOTE 28A COMPANIES CONSOLIDATED

	Head Office	Currency	Share capital m	Equity interest %
Banks				
Bank Julius Baer & Co. Ltd.	Zurich	CHF	575.000	100
<i>Branches in Basle, Berne, Crans-Montana, Geneva, Guernsey, Hong Kong, Lausanne, Lucerne, Lugano, Singapore, Sion, St. Gallen, St. Moritz, Verbier, Zurich</i>				
<i>Representative Offices in Abu Dhabi, Bogotá, Istanbul, Johannesburg, Mexico City, Santiago de Chile, Shanghai</i>				
<i>including</i>				
Bank Julius Baer Nominees (Singapore) Pte. Ltd.	Singapore	SGD	0.000	100

NOTE 28B UNCONSOLIDATED STRUCTURED ENTITIES

The Bank is involved in the set-up and operation of a limited number of structured entities such as segregated portfolio companies, private equity feeder funds, umbrella funds and similar vehicles in the legal form of limited partnerships (L.P.), which are invested in segregated portfolios or feeder funds. All the L.P. serve as investment vehicles for the Bank's clients. The Bank generally acts as investment manager and custodian bank and generally also holds the management shares of the L.P. These

shares are equipped with voting rights, but do not provide any participating rights in the underlying investments. The Bank receives a market-based fixed fee for its services and has no interests in the underlying segregated portfolios or feeder funds. Therefore, due to the missing exposure, or rights, to variable returns from its involvement with the segregated portfolios or feeder funds, the Bank does not have control over the underlying investments, but only consolidates the limited partnerships.

NOTE 29 SHARE-BASED PAYMENTS AND OTHER COMPENSATION PLANS

The programmes described below reflect the plan landscape as at 31 December 2021. All plans are reviewed annually to reflect any regulatory changes and/or market conditions. The Bank's overall compensation landscape is described in the Remuneration Report of Julius Baer Group Ltd.

Deferred variable compensation plans

Cash-based variable compensation –

Deferred Cash Plan

The Deferred Cash Plan (DCP) promotes sound business activities by remaining subject to forfeiture while providing an inherently less volatile payout than shares. The DCP grant is generally made once a year as part of the annual variable compensation awarded to the individual concerned, and participation is determined on an annual basis.

These annually granted deferred cash awards vest in equal one-third tranches, subject to continued employment. The DCP may be granted during outside the annual variable compensation cycle in cases where share-based plans are not permissible under local legislation or as an alternative to a Long-Term Incentive Plan award (as described below).

Deferred Bonus Plan

Similar to the DCP, the Deferred Bonus Plan (DBP) promotes sound business activities by remaining subject to forfeiture while providing an inherently less volatile payout than shares. The DBP grant is made once per year and is determined in reference to the annual variable compensation awarded to the individual concerned.

Eligibility for the DBP is based on various factors, which include nomination by the CEO, overall role within the Bank, total variable compensation and individual contribution in the reporting period. All members of the Executive Board, key employees and the employees defined as risk takers of the Bank by virtue of their function within the organisation are considered for the DBP based on their specific role.

These annually granted deferred cash awards vest in equal one-fifth tranches, subject to continued employment.

Equity-based variable compensation – *Premium Share Plan*

The Premium Share Plan (PSP) is designed to link a portion of the employee's variable compensation to the long-term success of the Bank through its share price. A PSP grant is made once a year as part of the annual variable compensation awarded to the individual concerned, and participation is determined on an annual basis. The employee is granted a number of shares equal in value to the deferred element. These shares vest in equal one-third tranches over a three-year plan period. At the end of the plan period, subject to continued employment, the employee then receives an additional share award representing a further one third of the number of shares granted to him or her at the beginning of the plan period.

Equity-based variable compensation – *Equity Performance Plan*

The Equity Performance Plan (EPP) is a robust long-term incentive mechanism for key employees. The EPP is an equity plan which seeks to create a retention element for key employees and to link a significant portion of the executive compensation to the future performance of the Bank.

Eligibility for the EPP, similar to that of the DBP (as described above), is based on various factors, which include nomination by the CEO, overall role within the Bank, total variable compensation and individual contribution in the reporting period. All members of the Executive Board, key employees and employees defined as risk takers of the Bank by virtue of their function within the organisation are considered for the EPP based on their specific role. An EPP grant is made once a year and is determined in reference to the annual variable compensation awarded to the individual concerned, and participation is determined on an annual basis.

The EPP is an annual rolling equity grant (made in February each year) that awards Performance Units to eligible participants subject to individual performance in the reporting period and future performance-based requirements.

The goal of the EPP is to incentivise participants in two ways:

- Firstly, by the nature of its construction, the ultimate value of the award to the participants fluctuates with the market value of Julius Baer Group Ltd. shares.
- Secondly, the Performance Units are contingent on continued service and two key performance indicators (KPIs), cumulative Economic Profit (cEP) and relative Total Shareholder Return (rTSR). The service condition requires that the participant remains with Julius Baer for three years after the grant (through a cliff-vesting mechanism). The performance of the two KPIs determines the number of shares the participant ultimately receives.

The number of shares delivered under the EPP is between 0% and 150% of the number of Performance Units granted in any given year (with each individual KPI being capped at a maximum multiplying factor of 200%). The cap serves to limit EPP awards so as to avoid any unforeseen outcome of the final EPP multiplier resulting in unintentionally high or excessive levels of compensation. A high level of performance is required to attain a maximum share delivery (creating a maximum uplift of 50% of the Performance Units granted), with low-level performance leading to potential nil compensation.

The KPI targets are set based on the strategic three-year budget/plan that is approved by the Board of Directors on an annual basis. Extremely high (and, thus, unrealistic) performance targets are avoided, so as not to incentivise excessive risk taking by executives and other managerial staff.

Long-Term Incentive Plan (LTI)

In certain specific situations the Bank may also offer incentives outside the annual compensation cycle. Compensatory payments to new hires for deferred awards they have forfeited by resigning from their previous employer or retention payments to key employees during extraordinary or critical circumstances may be made by granting individuals an equity-based LTI.

An LTI granted in these circumstances generally runs over a three-year plan period. The Bank generally operates two different vesting schedules for this plan: (1) three equal one-third tranches vesting over a three-year period, (2) cliff vesting of all granted shares in one single tranche at the end of a three-year period.

Staff Participation Plan (SPP)

The SPP is offered to most of the Bank's global employee population. Some individuals or employees in specific locations are excluded from participating because, for example, the employees concerned are participants in another Bank equity-based plan or because the SPP cannot be offered in a particular jurisdiction for legal, regulatory or administrative reasons. Under this plan, eligible participants may voluntarily purchase Julius Baer Group Ltd. shares at the prevailing market price, and for every three shares so purchased they will receive one additional share free of charge. These free shares vest after three years, subject to continued employment. Purchases under the SPP only occur once a year.

The objective of this plan is to strengthen the employee's identification with the Bank, to encourage entrepreneurial spirit, to generate greater interest in the business through ownership, and to provide employees with financial recognition for their long-term dedication to the Bank.

Movements in shares/performance units granted under various participation plans are as follows:

	31.12.2021		31.12.2020	
	Number of units Economic Profit	Number of units Total Shareholder Return	Number of units Economic Profit	Number of units Total Shareholder Return
Equity Performance Plan				
Unvested units outstanding, at the beginning of the year	838,305	838,305	786,068	786,068
Granted during the year	242,766	242,766	257,991	257,991
Exercised during the year	-211,037	-211,037	-197,186	-197,187
Forfeited during the year	-6,032	-6,032	-8,568	-8,567
Unvested units outstanding, at the end of the year	864,002	864,002	838,305	838,305

	31.12.2021	31.12.2020
Premium Share Plan		
Unvested shares outstanding, at the beginning of the year	909,196	867,228
Granted during the year	480,315	436,080
Vested during the year	-370,975	-371,425
Transferred (net) during the year	3,774	1,846
Forfeited during the year	-34,931	-24,533
Unvested shares outstanding, at the end of the year	987,379	909,196
Weighted average fair value per share granted (CHF)	54.88	49.19
Fair value of outstanding shares at the end of the year (CHF 1,000)	60,408	46,369

	31.12.2021	31.12.2020
Long-Term Incentive Plan		
Unvested shares outstanding, at the beginning of the year	449,021	485,123
Granted during the year	96,704	163,224
Vested during the year	-158,037	-161,262
Transferred (net) during the year	4,961	-
Forfeited during the year	-19,371	-38,064
Unvested shares outstanding, at the end of the year	373,278	449,021
Weighted average fair value per share awarded (CHF)	56.77	44.98
Fair value of outstanding shares at the end of the year (CHF 1,000)	22,837	22,900

	31.12.2021	31.12.2020
Staff Participation Plan		
Unvested shares outstanding, at the beginning of the year	135,446	108,552
Granted during the year	38,555	67,530
Vested during the year	-30,092	-38,501
Transferred (net) during the year	278	-304
Forfeited during the year	-4,505	-1,831
Unvested shares outstanding, at the end of the year	139,682	135,446
Weighted average fair value per share granted (CHF)	58.75	34.32
Fair value of outstanding shares at the end of the year (CHF 1,000)	8,546	6,908

Compensation expense recognised for the various share plans are:

	31.12.2021 CHF m	31.12.2020 CHF m
Compensation expense		
Equity Performance Plan	33.0	22.0
Premium Share Plan	21.6	19.5
Long-Term Incentive Plan	6.6	9.0
Staff Participation Plan	1.9	2.0
Total	63.1	52.5

NOTE 30 ASSETS UNDER MANAGEMENT

Assets under management include all bankable assets managed by or deposited with the Bank for investment purposes. Assets included are portfolios of wealth management clients for which the Bank provides discretionary or advisory asset management services. Assets deposited with the Bank held for transactional or safekeeping/custody purposes, and for which the Bank does not offer advice on how the assets should be invested, are excluded from assets under management. In general, transactional or safekeeping/custody assets belong to banks, brokers, securities traders, custodians, or certain institutional investors. Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes or assets primarily used for cash management, funding or trading purposes are also not considered assets under management.

Assets with discretionary mandate are defined as the assets for which the investment decisions are made by the Bank, and cover assets deposited with the Bank as well as assets deposited at third-party institutions. Other assets under management are defined as the assets for which the investment decision is made by the client himself. Both assets with discretionary mandate and other assets under management take into account client deposits as well as market values of securities, precious metals, and fiduciary investments placed at third-party institutions.

When assets under management are subject to more than one level of asset management services, double counting arises within the total assets under management. Each such separate discretionary or advisory service provides additional benefits to the respective client and generates additional revenue to the Bank.

Net new money consists of new client acquisitions, client departures and in- or outflows attributable to existing clients. It is calculated through the direct method, which is based on individual client transactions. New or repaid loans and related interest expenses result in net new money flows. Interest and dividend income from assets under management, market or currency movements as well as fees and commissions are not included in the net new money result. Effects resulting from any acquisition or divestment of the Bank are stated separately. Generally reclassifications between assets under management and assets held for transactional or safekeeping/custody purposes result in corresponding net new money in- or outflows.

Assets under management are disclosed according to the Guidelines of the Swiss Financial Market Supervisory Authority (FINMA) governing financial statement reporting.

Assets under management

	2021 CHF m	2020 CHF m	Change %
Assets with discretionary mandate	60,142	50,675	18.7
Other assets under management	325,199	301,713	7.8
Total assets under management (including double counting)	385,341	352,388	9.4
<i>of which double counting</i>	16,423	14,349	14.5
Change through net new money	13,580	11,367	
Change through market and currency impacts	20,341	-3,547	
Change through divestment	-968¹	-517 ¹	
Change through other effects	-	-8 ²	
Client assets	464,875	424,213	9.6

² Assets under management were affected by the Bank's decision to discontinue its offering to clients from a number of selected countries.

³ Includes assets which have been reclassified following the completed roll-out of the new client advisory models in Switzerland.

Client assets are defined as all bankable assets managed by or deposited with the Bank companies for investment purposes and only those deposited assets held for transactional, safekeeping/custody or administrative purposes for which additional services, for example analysis and reporting or securities lending and borrowing, are provided.

Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes, assets primarily used for cash management, funding or trading purposes or deposited assets held purely for transactional or safekeeping/custody purposes are excluded from client assets.

Breakdown of assets under management

	2021 %	2020 %
By types of investment		
Equities	33	30
Bonds (including convertible bonds)	14	18
Investment funds	29	25
Money market instruments	1	2
Client deposits	17	18
Structured products	5	5
Other	1	2
Total	100	100
By currencies		
CHF	11	11
EUR	15	15
USD	54	53
GBP	5	5
SGD	2	2
HKD	4	5
Other	9	9
Total	100	100

NOTE 31 REQUIREMENTS OF SWISS BANKING LAW

The Bank is subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA), which requires Switzerland-domiciled banks using International Financial Reporting Standards (IFRS) as their primary accounting standard to provide a narrative explanation of the major differences between IFRS and Swiss GAAP. Swiss GAAP is based on the regulations of the Swiss Code of Obligation, on Swiss Banking Law and the Ordinance thereto, on the FINMA Accounting Ordinance (RelV-FINMA) and the Guidelines of the FINMA Circular 2020/1 'Accounting Banks'.

The following main differences exist between IFRS and Swiss GAAP (true and fair view) which are relevant to the Bank:

Under IFRS, goodwill is not amortised but tested for impairment annually and a write-off is made if the recoverable amount is less than the carrying amount. Under Swiss GAAP, goodwill is amortised over its useful life, generally not exceeding five years (in justified cases up to twenty years), and tested for impairment.

Under IFRS, changes in the fair value of financial instruments measured at fair value through other comprehensive income (FVOCI) are directly

recognised in equity. Under Swiss GAAP, such financial instruments are measured at the lower of cost or market (LOCOM), with the changes in fair value where required recognised in the income statement.

Swiss GAAP allows the application of IAS 19 for the accounting for defined benefit plans. However, the remeasurement of the net defined benefit liability is recognised in the income statement and comprises movements in actuarial gains and losses and return on plan assets (excluding net interest cost). Under IFRS, these components are recognised directly in equity.

Under IFRS, a lessee recognises right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Under Swiss GAAP, no right-of-use assets or lease liabilities are recognised, but operating lease expense are expensed as incurred.

Under IFRS, all income and expenses are attributed to ordinary business operations. Under Swiss GAAP, income and expenses are classified as extraordinary, if they are from non-operating transactions and are non-recurring.

NOTE 32 EVENTS AFTER THE BALANCE SHEET DATE

There are no events to report that had an influence on the balance sheet or the income statement for the 2021 financial year.

REPORT OF THE STATUTORY AUDITOR TO THE ANNUAL GENERAL MEETING OF BANK JULIUS BAER & CO. LTD., ZURICH



Statutory Auditor's Report

To the General Meeting of Bank Julius Baer & Co. Ltd., Zurich

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Bank Julius Baer & Co. Ltd. and its subsidiaries (the Bank), which comprise the consolidated balance sheet as at 31 December 2021 and the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 4 to 108) give a true and fair view of the consolidated financial position of the Bank as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters



GOODWILL IMPAIRMENT TESTING



LITIGATION AND REGULATORY PROCEEDINGS



VALUATION OF FINANCIAL INSTRUMENTS



IMPAIRMENT OF LOANS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



GOODWILL IMPAIRMENT TESTING

Key Audit Matter

As at 31 December 2021, the Bank recognizes goodwill of CHF 1,501.7m arising from a number of acquisitions.

Goodwill impairment testing is performed at the level of the cash generating unit ('CGU') and relies on estimates of value-in-use based on discounted future cash flows.

Due to the significance of the Bank's recognized goodwill and the inherent uncertainty of forecasting and discounting future cash flows, this is deemed to be a significant area of judgment.

Our response

Our procedures included the assessment of the Bank's process and key controls for the testing of goodwill impairment, including the assumptions used.

With the assistance of our own valuation specialists, we critically assessed the key assumptions and methodologies used to determine the value-in-use for the CGU. We assessed the reasonableness of cash flow projections, discount rate and growth rates by comparison with the Bank's own historical data and performance and externally available industry, economic and financial data respectively.

Additionally, we considered whether the Bank's disclosures of the application of judgment in estimating key assumptions and the sensitivity of the results of those estimates adequately reflect the risk associated with goodwill impairment.

For further information on goodwill impairment testing refer to note 11 to the consolidated financial statements on pages 50 to 51.



LITIGATION AND REGULATORY PROCEEDINGS

Key Audit Matter

As at 31 December 2021, the Bank recognizes provisions for legal risks of CHF 72.2m arising from litigation and regulatory proceedings (together 'legal and regulatory matters').

The Bank is involved in a number of legal and regulatory matters which could have a material effect on the Bank but do not qualify for the recognition of a provision. These matters are disclosed as contingent liabilities.

The recognition and measurement of provisions and the measurement and disclosure of contingent liabilities in respect of legal and regulatory matters requires significant judgment.

Our response

Our procedures included the assessment of key controls over the identification, evaluation and measurement of potential obligations arising from legal and regulatory matters.

We paid particular attention to significant matters that experienced notable developments or that emerged during the period. For matters identified, we considered whether an obligation exists, the appropriateness of provisioning and/or disclosure based on the facts and circumstances available.

In order to assess the facts and circumstances, we obtained and assessed the relevant regulatory and litigation documents and interviewed the Bank's internal and external legal counsels. We also critically assessed the assumptions made and key judgments applied and considered possible alternative outcomes.

Additionally, we considered whether the Bank's disclosures of the application of judgment in estimating provisions and contingent liabilities adequately reflected the uncertainties associated with legal and regulatory matters.



For further information on litigation and regulatory proceedings refer to note 16 to the consolidated financial statements on pages 55 to 58.



VALUATION OF FINANCIAL INSTRUMENTS

Key Audit Matter

As at 31 December 2021, the Bank reports financial assets of CHF 30,316.6m and financial liabilities of CHF 17,889.9m measured at fair value representing 27.7% and 16.3% of total assets and total liabilities and equity respectively.

The fair value of financial instruments that are traded in an active market is determined based on quoted market prices. The exercise of judgment and the use of estimates and assumptions is in particular required for instruments where observable market prices or market parameters are not available. For such instruments the fair value is determined through the use of valuation techniques or models applied by the Bank.

Due to the significance of such financial instruments to the balance sheet and the degree of complexity involved, there is estimation uncertainty with regard to the valuation of financial instruments.

For further information on valuation of financial instruments refer to notes 24B and 24C to the consolidated financial statements on pages 72 to 76.

Our response

Our procedures included the assessment of key controls over the identification, measurement and management of valuation risk, as well as evaluating the methodologies and input parameters used by the Bank in determining fair values.

For the Bank's fair value models, we involved our own valuation specialists to assess the appropriateness of the models and inputs. We further compared observable inputs against independent sources and externally available market data and re-performed independent valuations for a sample of instruments with the assistance of our own valuation specialists.

Additionally, we assessed whether the fair value determination is appropriately disclosed.



IMPAIRMENT OF LOANS

Key Audit Matter

As at 31 December 2021, the Bank reports loans of CHF 46,399.0m representing 42.4% of total assets and records a credit loss allowance of CHF 85.7m.

Loans are measured at amortized cost considering any impairment losses. The impairment of loans is estimated through the application of judgment and use of assumptions. This particularly applies to the specific allowances measured on an individual basis for credit losses established for impaired loan amounts.

The loan portfolios which give rise to the greatest uncertainty are typically those with concentration risks in collaterals that are potentially more sensitive to global economic trends.

Our response

Our procedures included the assessment of key controls over the approval, recording and monitoring of loans and an evaluation of the methodologies, inputs and assumptions used by the Bank to assess the adequacy of impairment allowances for individually assessed loans.

For a sample of loans with specific allowances for credit losses we evaluated the Bank's individual impairment assessment and specifically challenged the Bank's assumptions used, including the value of realizable collateral and the estimated recoverability. Based on a retrospective review, we further critically assessed whether the Bank revised its estimates and assumptions for specific allowances established in prior year.

We also tested a sample of individually significant exposures which had not been identified as potentially impaired by the Bank and assessed whether appropriate consideration was given to the collectability of future cash flows and the valuation of the underlying collaterals.

For further information on impairment of loans refer to note 25A to the consolidated financial statements on pages 77 to 84.

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

A handwritten signature in black ink, appearing to read 'M. Liberto'.

Mirko Liberto
Licensed Audit Expert
Auditor in Charge

A handwritten signature in black ink, appearing to read 'C. Wipfler'.

Corina Wipfler
Licensed Audit Expert

Zurich, 18 February 2022

KPMG AG, Badenerstrasse 172, CH-8036 Zurich

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V. BJB CONSOLIDATED FINANCIAL STATEMENTS

V. BJB KONSOLIDIERTE FINANZINFORMATIONEN

V. BJB Financial Statements as at 31 December 2021		V. BJB Finanzinformationen zum 31. Dezember 2021	
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FINANCIAL STATEMENTS

INCOME STATEMENT

	Note	2021 CHF 1,000	2020 CHF 1,000	Change CHF 1,000	Change %
Interest and discount income		477,477	544,205	-66,728	-12.3
Interest and dividend income on trading portfolios		110,699	248,954	-138,255	-55.5
Interest and dividend income on financial investments		146,051	144,013	2,038	1.4
Interest expense		-30,960	205,327	-236,287	-
Gross result on interest operations	1	765,187	731,845	33,342	4.6
Changes in value adjustments for default risks and losses from interest operations and losses on the interest business		-2,702	-36,717	34,015	-92.6
Subtotal net result on interest operations		762,485	695,128	67,357	9.7
Commission income on securities trading and investment activities		2,059,072	1,798,227	260,845	14.5
Commission income on lending activities		4,614	20,782	-16,168	-77.8
Commission income on other services		56,211	42,403	13,808	32.6
Commission expense		576,458	505,087	71,371	14.1
Subtotal result on commission business and services		1,543,439	1,356,325	187,114	13.8
Result on trading activities and the fair value option	2	670,600	686,917	-16,317	-2.4
Result from the sale of financial investments		4,813	161	4,652	-
Income from participations		-	218	-218	-100
Real estate income		5,480	5,099	381	7.5
Other ordinary income		76,689	67,844	8,845	13.0
Other ordinary expenses		39,677	9,711	29,966	-
Subtotal other result from ordinary activities		47,305	63,611	-16,306	-25.6
Operating income		3,023,829	2,801,981	221,848	7.9
Personnel expenses	3	1,143,893	1,147,333	-3,440	-0.3
General expenses	4	673,910	658,406	15,504	2.4
Subtotal operating expenses		1,817,803	1,805,739	12,064	0.7
Depreciation and amortisation	14	253,001	238,020	14,981	6.3
Provisions and losses	5, 20	63,138	80,517	-17,379	-21.6
Operating result		889,887	677,705	212,182	31.3
Taxes	6	154,934	122,768	32,166	26.2
Net profit/loss		734,953	554,937	180,016	32.4

BALANCE SHEET

	Note	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000	Change CHF 1,000	Change %
Assets					
Cash		17,275,368	12,095,674	5,179,694	42.8
Due from banks	9	5,077,336	5,993,990	-916,654	-15.3
Due from securities transactions	7	24,140	1,264,198	-1,240,058	-98.1
Due from customers	9	40,329,469	36,895,087	3,434,382	9.3
Mortgages	9	6,058,927	6,477,916	-418,989	-6.5
Trading portfolios	10	18,789,284	17,841,636	947,648	5.3
Positive replacement values of derivative financial instruments	12	2,097,032	2,576,313	-479,281	-18.6
Financial assets designated at fair value	11	306,895	252,178	54,717	21.7
Financial investments	13	12,953,066	13,328,885	-375,819	-2.8
Accrued income and prepaid expenses		337,759	300,302	37,457	12.5
Participations		-	-	-	
Tangible fixed assets	14	969,534	903,649	65,885	7.3
Intangible assets	14	370,741	502,025	-131,284	-26.2
Other assets	15	3,272,209	2,071,259	1,200,950	58.0
Total assets	25	107,861,760	100,503,112	7,358,648	7.3
Total subordinated claims		378,956	456,330	-77,374	-17.0
<i>of which with conversion obligation and/or claims waiver</i>		114,238	89,771	24,467	27.3

	Note	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000	Change CHF 1,000	Change %
Liabilities and equity					
Due to banks		7,654,705	8,184,861	-530,156	-6.5
Due to securities transactions	7	356,899	334,610	22,289	6.7
Due to customers		75,459,503	69,823,795	5,635,708	8.1
Trading liabilities	10	749,539	896,520	-146,981	-16.4
Negative replacement values of derivative financial instruments	12	2,681,363	2,710,008	-28,645	-1.1
Financial liabilities designated at fair value	11	14,458,988	13,150,748	1,308,240	9.9
Debt issues	18	777,260	-	777,260	-
Accrued expenses and deferred income		830,053	696,347	133,706	19.2
Other liabilities	16	137,956	226,934	-88,978	-39.2
Provisions	20	73,787	172,535	-98,748	-57.2
Liabilities		103,180,053	96,196,358	6,983,695	7.3
Share capital	21	575,000	575,000	-	-
Statutory capital reserve		1,932,546	1,932,546	-	-
<i>of which tax-exempt capital contribution reserve</i>		1,916,640	1,916,640	-	-
Statutory retained earnings reserve		613,023	577,023	36,000	6.2
Voluntary retained earnings reserve		826,155	667,155	159,000	23.8
Profit carried forward		30	93	-63	-67.7
Net profit/loss		734,953	554,937	180,016	32.4
Equity		4,681,707	4,306,754	374,953	8.7
Total liabilities and equity		107,861,760	100,503,112	7,358,648	7.3
Total subordinated liabilities		480,000	480,000	-	-
<i>of which with conversion obligation and/or claims waiver</i>		480,000	480,000	-	-

OFF-BALANCE SHEET TRANSACTIONS

	Note	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000	Change CHF 1,000	Change %
Contingent liabilities	27	1,209,805	1,090,719	119,086	10.9
Irrevocable commitments	28	417,593	452,292	-34,699	-7.7
Fiduciary transactions	29	4,786,055	7,104,764	-2,318,709	-32.6

PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING

	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000	Change CHF 1,000	Change %
Net profit	734,953	554,937	180,016	32.4
Profit carried forward	30	93	-63	-67.7
Disposable profit	734,983	555,030	179,953	32.4
Appropriation of profit				
Allocation to statutory retained earnings reserve	62,000	36,000	26,000	72.2
Allocation to voluntary retained earnings reserve	52,000	159,000	-107,000	-67.3
Dividend payment	620,000	360,000	260,000	72.2
Total appropriation of profit	734,000	555,000	179,000	32.3
Profit carried forward	983	30	953	-

STATEMENT OF CHANGES IN EQUITY

At 1 January 2020

Allocation to statutory retained earnings reserve

Allocation from voluntary retained earnings reserve

Bank Julius Baer & Co. Ltd. dividend payment

Total profit appropriation 2020

Net profit

Share-based payments expensed for the year

Distribution to the parent related to share-based payments for the year

At 31 December 2020

At 1 January 2021

Allocation to statutory retained earnings reserve

Allocation to voluntary retained earnings reserve

Bank Julius Baer & Co. Ltd. dividend payment

Total profit appropriation 2021

Net profit

Share-based payments expensed for the year

Distribution to the parent related to share-based payments for the year

At 31 December 2021

FINANCIAL STATEMENTS BANK JULIUS BAER & CO. LTD. 2021
FINANCIAL STATEMENTS

Share capital CHF 1,000	Statutory capital reserve CHF 1,000	Statutory retained earnings reserve CHF 1,000	Voluntary retained earnings reserve CHF 1,000	Retained earnings and net profit CHF 1,000	Total equity attributable to shareholder of Bank Julius Baer & Co. Ltd. CHF 1,000
575,000	1,932,546	542,023	758,155	294,093	4,101,817
-	-	35,000	-	-35,000	-
-	-	-	-91,000	91,000	-
-	-	-	-	-350,000	-350,000
-	-	35,000	-91,000	-294,000	-350,000
-	-	-	-	554,937	554,937
-	-	-	-	52,495	52,495
-	-	-	-	-52,495	-52,495
575,000	1,932,546	577,023	667,155	555,030	4,306,754
575,000	1,932,546	577,023	667,155	555,030	4,306,754
-	-	36,000	-	-36,000	-
-	-	-	159,000	-159,000	-
-	-	-	-	-360,000	-360,000
-	-	36,000	159,000	-555,000	-360,000
-	-	-	-	734,953	734,953
-	-	-	-	63,145	63,145
-	-	-	-	-63,145	-63,145
575,000	1,932,546	613,023	826,155	734,983	4,681,707

COMMENT ON RISK MANAGEMENT

In pursuing its strategy and business, Bank Julius Baer & Co. Ltd. (the Bank) is exposed to risks, e.g. events which may have an impact on its financial, business, regulatory and reputational standing. Risk management as a result is an integral part of the Bank's business model and is designed to protect its franchise and reputation.

The tight organisational as well as commercial relationship between Julius Baer Group (the Group) and the Bank as the principal operating entity of the Group makes the risk management principles explained herein analogous to the risk management principles of the Group.

RISK MANAGEMENT FRAMEWORK

The Group's Risk Management Framework (RMF) links and integrates all relevant activities, governance and processes of the Bank to identify, assess, manage, monitor and report risks across the organization.

Risk management activities are structured according to the Group's risk categorisation which represents the material risks the organisation is exposed to.

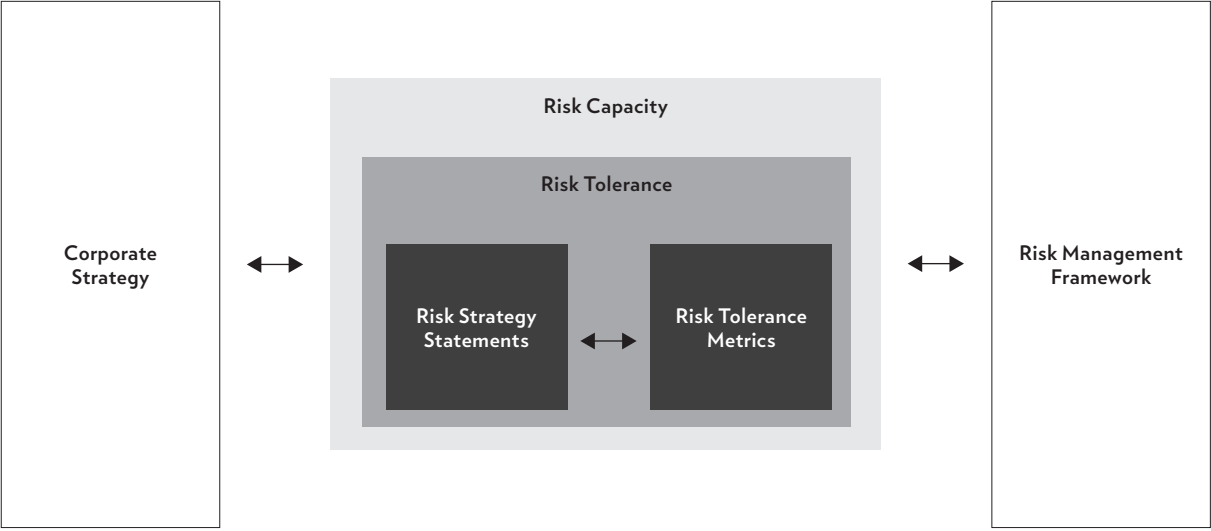
Beside credit, market and treasury risk, the Bank is exposed to non-financial risks, covering operational risk, compliance and legal risk, as well as strategic, business and reputational risk. The risk categorisation allows for individual assignment of responsibilities to Risk Type Owners (RTO), who maintain the risk management framework of each material risk type by means and in accordance with the RMF.

RISK TOLERANCE FRAMEWORK

Not all risks can be eliminated, fully controlled and mitigated at all times. However, the Group's Risk Tolerance Framework (RTF) supports and ensures that risk-taking is in line with the strategic objectives and within the Bank's overall risk capacity. The Bank's risk tolerance is defined as the aggregate level of risk, subject to appropriate mitigating actions, that the Bank is willing to accept across all relevant risk categories. It is formalised by a set of qualitative risk statements and quantitative risk metrics along the Bank's key risk categories.

The risk capacity describes the maximum level of risk the Bank can assume given the Bank's capabilities and resources, taking account of capital, earnings and liquidity constraints (financial risk capacity), regulatory requirements and the firm's reputational standing (regulatory and reputational risk capacity). The latter reflects all relevant laws and regulations that affect the overall business operations and conduct of the Bank.

The key components of the Bank's RTF are illustrated by the following figure:



RISK GOVERNANCE

The Bank has established a robust risk governance, involving several stakeholders across the organisation and various committees, functions and business units.

The Board of Directors (BoD) is responsible for establishing the strategic course of the Bank and the guiding principles for the Bank's corporate culture. It approves the Bank-wide RMF and RTF. This ensures that risks are managed effectively at Bank level and that suitable processes are in place.

Regular reporting enables the BoD to monitor whether the risk tolerance, policies, instructions and mandates are being complied with, and whether they remain appropriate, given the Bank's business model, risk profile and strategy. In addition, the BoD regularly reviews reports analysing the Bank's risk exposure.

The BoD has established the following committees to supervise specific risk management-related areas and to prepare topics for consideration by the complete board.

Governance & Risk Committee	<ul style="list-style-type: none"> • Ensuring that the requirements for proper compliance and the promotion of an adequate compliance/conduct culture and organisation are given the necessary attention • Assessing the Group's exposure to compliance/conduct issues as well as the Compliance Framework and related projects to address such matters, in particular those relating to anti-money-laundering and know-your-customer, client on-boarding, monitoring and off-boarding, politically exposed persons, economic and trade sanctions, anti-bribery and anti-corruption as well as client tax compliance • Developing and upholding principles of corporate governance for the Company and the Group • Authorising certain market, credit and financial activities taking into consideration the respective risk parameters • Ensuring that the standards and methodologies for risk control which are employed to comply with the principle and risk profile adopted by the BoD and other bodies
Audit Committee	<ul style="list-style-type: none"> • Examining and assessing compliance with laws and regulations, articles of incorporation, internal regulations and policies • Discussing the financial statements, the scope and quality of the audit work performed and the appropriateness of the internal control systems (financial and non-financial)
Nomination & Compensation Committee	<ul style="list-style-type: none"> • Drawing up the remuneration principles and policies aligned with the Group's overall business strategy • Annually reviewing compensation elements and sharing ownership programmes by considering possible impacts of regulatory developments and stakeholder feedback • Assisting the BoD in the effective discharge of its responsibilities in accordance with applicable laws and regulations as well as the principles of sound corporate governance • Leading and preparing the long-term succession planning at the level of the BoD, CEO and the other members of the ExB
Development & Innovation Committee	<ul style="list-style-type: none"> • Supporting the BoD in its overall oversight responsibilities relating to long-term transformational challenges, business development, innovation and to respective plans as developed by the Executive Board • Identifying and assessing existing and future trends in the areas such as structural changes in the financial industry, the business and operating model of the Group, the applied technology and innovation, as well as assessing their possible impact on the Group and new business opportunities

For further details, please refer to the Board of Directors section of the Annual Report 2021 of Julius Baer Group Ltd.

The Executive Board (ExB) is overall responsible for developing and maintaining the RMF and the RTF for approval by the BoD. As part of its responsibility for managing the core (wealth management) business of the Bank as laid down in BJB's Organisational and Management Regulations (OMR), the ExB defines specific instructions with regard to risk management, implements the RMF and enforces that the Group's risk management practices are sound and in accordance with the business model, strategy plan, risk tolerances and the defined mitigating actions set out in them. In doing so, executive boards assume the responsibilities for the management of business, strategic and reputational risks.

The following committees enable the ExB to delegate decision-making in the daily course of business.

Credit Committee	<ul style="list-style-type: none"> • Measuring and supervising credit risk • Developing policies governing credit risk, passing resolutions of credit business and credit limits within its authorisation, delegating credit authority and sanctioning credit risk reports
Risk Committee	<ul style="list-style-type: none"> • Reviewing and deciding on business conduct and risk standards, the ways in which risk is measured on an aggregate, Group-wide basis, the setting of aggregate and individual risk limits (quantitative and qualitative, as appropriate), and the policies and procedures in place to mitigate risks and the actions to be taken if risk limits are exceeded • Ensuring that appropriate measures are in place for businesses with increased reputational, compliance, legal and operational risk profiles • Reviewing and assessing the Group's information/cyber security strategy and the Group's business continuity management strategy
Group Asset and Liability Management Committee	<ul style="list-style-type: none"> • Pursuing the Group's aims to ensure adequate liquidity and funding of activities and to optimise net interest earnings and present value of future cash flows • Steering, monitoring and developing the management of the Group's financial assets and liabilities held in banking books or the balance sheet in general
Transformation Committee	<ul style="list-style-type: none"> • Defining, overseeing and steering the Group's transformation roadmap • Providing strategic steering of multiyear transformation programmes and significant individual projects as well as acting as escalation body for intraproject issues
Sustainability Board	<ul style="list-style-type: none"> • Defining, overseeing and steering the overall Corporate Sustainability and Responsible Investment strategy and roadmap • Providing strategic guidance and ensuring overall coordination, alignment and prioritisation of the Corporate Sustainability and Responsible Investment roadmap within the Group

For further details, please refer to the Executive Board section of the Annual Report 2021 of Julius Baer Group Ltd.

Overall responsibility for the implementation of the Group's RMF lies with those members of the ExB with designated independent risk management duties – the Chief Risk Officer (CRO) and the Chief Financial Officer (CFO), in cooperation with the Group General Counsel (GGC).

The CRO division develops and oversees the global framework for risk identification, assessment, management, monitoring and reporting within the risk tolerance for the various business activities of the Bank, aiming at sustainable growth of the franchise. It accomplishes this mission by being an independent partner in constructively challenging the business activities from a risk management perspective.

The CRO division is responsible for the control of market risk (trading book and banking book), treasury risk (liquidity and financing risk of the banking book), operational risk as well as compliance and legal risk. Additionally, the CRO division oversees the interaction between risks and supports the mitigation of risks together with other divisions. The CRO coordinates his activities with regard to legal risk (including regulatory risk) matters with the GGC.

The CFO division oversees the Bank's financial reporting, budgeting and strategic business analysis, including the tools used by the business units for performance follow-up. It is also responsible for balance sheet, capital, funding and liquidity management, and the management and oversight of credit risks. The CFO's duties thus include maintaining a sound ratio of eligible capital to risk-weighted positions and ensuring that sufficient liquidity is available. In doing so, the division maintains monitoring systems to ensure compliance with supervisory regulations on the above topics.

RISK CULTURE

The Bank recognises that successful risk management requires a combination of a sound risk culture, organisation and supporting processes as well as controls.

A sound risk culture is the key pillar in effectively managing risks. It promotes sound risk-taking and ensures that emerging risks or risk-taking activities beyond the Bank's risk tolerance are appropriately identified, assessed, escalated and addressed in a timely manner. To this effect, the following four levers are viewed as critical elements in ensuring a strong alignment between the expected behaviour standards and the strategic objectives of the Bank:

- *Strong leadership and tone from the top:* The BoD and senior management communicate clear expectations on managerial standards with respect to risk-taking and management, as well as leadership culture, transparency, collaboration, responsibility and accountability on all levels. The BoD and the ExB set the Group's Code of Ethics and Business Conduct (the Code), which outlines the principles of Care, Passion and Excellence to guide employee behaviour.
- *Accountability and clear roles and responsibilities:* In addition to a robust policy framework, the Bank ensures that clearly defined roles, responsibilities and accountability standards for specific risks and risk areas are in place in each of the 'Three Lines of Defences'.
- *Effective communication and challenge:* The Bank fosters a culture of open communication and constructive challenge in which decision-making processes encourage a range of views, allow for a continuous revalidation of current practices, stimulate a positive, critical attitude among staff members and promote an environment of open and effective employee engagement.
- *Employee life cycle and incentives:* Employees are rewarded for excellent performance including sound risk awareness and exemplary behaviour that will promote the long-term sustainable success of the organisation.

Based on Julius Baer's long-standing core values 'Care, Passion and Excellence', a set of guiding principles and professional standards for ethical business conduct have been established and formalised in the Group's Code.

The Code covers a range of topics, from values, beliefs, and culture to how behaviour affects clients, employees, and business activities. It supports the Bank's aspiration to act with the utmost professional expertise and integrity and articulates the Bank's expectation to adhere to high standards of ethical business conduct and to comply with all applicable laws and regulations.

The Code is globally applicable, and the principles described in the Code are reflected in the Bank's internal policies and procedures. To ensure adherence to the Code, employees are regularly trained on its content and provide regular confirmations of their understanding and compliance through a formal self-attestation framework. Further, the non-adherence to the Code is reflected in an employee's value and risk behavior assessment and rating and may lead to disciplinary action.

Employees are expected to raise any concerns or suspicions regarding deficient processes and/or any type of unethical or improper behaviour, including any breaches of law and/or policy. They are asked to report any such issues directly to their line management, a member of the CRO function and/or Human Resources.

Alternatively, other channels are available to report concerns, observations or complaints, such as contacting the Group's Ombudsman or reporting the incident anonymously through the Group's external reporting tool (integrity line). The Bank will not retaliate against any employee who reports a concern in good faith.

To support good practices and reinforce a sound risk culture, clear consequences are defined through performance management, compensation and

disciplinary actions should an employee's behaviour contribute to a financial loss, reputational damage, a breach of fiduciary duty, or represent a policy infringement. To ensure that incentive and compensation systems are aligned with the Bank's risk standards and target risk culture, relationship managers (RMs) and their line managers are subject to the new RM Compensation Framework introduced in 2020. The procedures dealing with policy breaches by employees are defined in a separate policy and regulation breach process to ensure a standardised global approach to sanction non-compliant behaviour as well as policy and regulation infringements. The process aims to

- ensure quality of decision and fair treatment of all employees,
- conduct consolidated analyses and reports with the objective of identifying and preventing systemic risks,
- provide transparent information about the impact of non-compliant behaviour respectively policy and regulation breaches to employees, and
- ensure data protection and privacy.

Depending on the severity of the non-compliant behaviour, a variety of measures can be imposed, such as reprehension, reprimand, warning, promotion ban, financial sanction or termination of work contract.

GROUP RISK LANDSCAPE

In order to make risks transparent and to put them into perspective, a Risk Landscape is compiled annually and is continuously maintained. To comprehensively and holistically identify, assess existing and emerging risks and disclose them transparently to the BoD and ExB, the following multi-layered approach is applied:

- A yearly bottom-up Risk and Control Self-Assessment (RCSA) of operational, legal and compliance risks is performed by the Bank and the Business Functions at Head Office and challenged by the second line of defence.

- The RCSA is complemented by the top-down Risk Type Owner Assessments (RTOA) which is performed annually by the RTOs for all operational, legal and compliance risk types.
- All risk categories are assessed, depicting both a 'normalised' and a 'stressed' risk profile (with low probability).
- The above is supplemented by a review and a top-down assessment by ExB (under the auspices of the CRO) of strategic, reputational and major risks – and subsequently 'back-tested' against the Bank's overall risk capacity.

The Risk Landscape, which is discussed and evaluated at ExB and BoD level, is an integral part of the Bank's strategic capital planning process.

CAPITAL PLANNING AND LIQUIDITY CONTINGENCY PLAN

Regulatory capital standards require banks to calculate their capital requirements by quantifying all of the inherent risks the Bank is exposed to.

In the capital planning process of the Bank, its ability to withstand the impact of credit, market and other risk events is assessed. The current and future required capital is planned in relation to the strategic targets of the Bank, and is therefore an integral part of the yearly budgeting and mid-term planning process. It provides a reliable forecast of available

capital on the basis of business planning and budgeting, future profits, dividend policy and targeted corporate transactions.

In assessing whether the capital base is adequate, the Bank takes into account the economic cycle and shows in its capital planning that it is in a position to meet its capital adequacy requirements over a three-year horizon even in the event of an economic downturn and revenues falling sharply and a funding stress scenario.

This includes the risk of unplanned pension liabilities since the present value of future pension obligations minus plan assets currently calculated under IAS 19 is recorded in retained earnings and as such, risk events could reduce the available eligible regulatory capital of the Bank. Possible reasons are (i) increasing liabilities, in particular due to regulatory change, such as higher minimum guaranteed amounts and decreasing interest rates; or (ii) decreasing assets, e.g. due to reduced assumed returns on investments; or (iii) a combination of both, caused for instance by the pension fund scheme, acquisitions, increasing longevity or assumption of higher risks due to a reduced insurance offering. In case of extraordinary situations, the capital plans are reviewed on an ad hoc basis.

The Liquidity Contingency Plan sets out procedures and action plans for the various departments to respond to severe disruptions in the Bank's ability to fund some or all of the activities in a timely

manner. It enhances the Liquidity and Funding Manual, which outlines the quantitative and qualitative methodologies for managing liquidity and funding risks at the Bank.

In order to trigger the Liquidity Contingency Plan, the CFO (deputised by the CRO) convokes the Liquidity Crisis Committee and Liquidity Analysis Committee, whose members and responsibilities are defined in the Contingency Plan. A trigger can be based either on the development of early warning indicators, or on an extraordinary event threatening the Bank's liquidity. Well-defined escalation steps related to the number of triggered early warning indicators, which are monitored on a daily basis, are in place.

The Liquidity Contingency Plan is reviewed at least once a year by the Group Asset and Liability Committee, and its effectiveness is also tested at least once a year.

STRESS TESTING

The risks identified in the Risk Landscape process enter the capital planning process by means of direct stress impacts for financial risks and indirect stress impacts for idiosyncratic risks.

- Direct stress impacts, which are calibrated to the macroeconomic scenarios used as foundation of the capital plan, cover market-driven financial risk events, i.e. considering trading and non-trading market risk in the trading and banking book, as well as credit risk materialising in the Lombard lending, mortgages, and investment book.
- Indirect stress impacts are used to cover non-correlated or idiosyncratic risk events as identified in the Risk Landscape.

Further stress testing may be conducted regularly or ad hoc both on a singular business or risk level (to assess the exposure in certain areas of the business or in specific risk categories) as well as for the whole Bank. It allows to estimate the potential impact on income, capital or liquidity (or other aspects if

deemed relevant) resulting from significant changes in market conditions, credit environment, liquidity demands or other risk factors. All stress-testing activities are developed with input from a broad range of stakeholders, and results are integrated into management decision-making processes for capital, market risk limits, credit risk strategy and funding strategy. There are three types of stress testing:

- Standardised stress-testing procedures are applied to assess the viability of the business under less favourable conditions and are used as input for the formulation and implementation of preparative and contingency activities.
- Reverse stress testing aims to identify scenarios that might be particularly harmful to the Bank. Whereas regular stress testing analyses the potential outcome of (historical or hypothetical) scenarios, reverse stress testing reveals potential causes of severe harm to the institution. Such reverse stress testing is performed at least annually in the context of the review of the Risk Landscape.

- Topical stress testing is being applied for a variety of specific topics to gain assurance that preventive, detective and responsive measures to defined scenarios are adequate.

The following financial risks are regularly stress-tested and are reported on a regular basis to the ExB and BoD:

- Credit risk: pledged portfolios (consisting of securities, precious metals) and derivative exposures (consisting of over-the-counter interest options/swaps, foreign exchange margins) are stress-tested twice a year to assess the potential negative market impact on the Lombard credit book. The negative impact on the mortgage book is evaluated by reducing the assigned property market value and stressing additionally pledged assets (e.g. pledged insurance policies, pledged portfolios, etc.). A stress test is also carried out for professional counterparty risk.

- Market risk: on a daily basis, a set of granular and standardised scenarios are calculated and the results are measured against a set of limits. Further, once per week, historical stress tests serve as a source for insight on the risks in the trading book.
- Treasury risk: on a daily basis, liquidity stress tests serve to assess the liquidity position of the Bank.

Stress testing of non-financial risks is performed at least annually as part of the Risk Landscape process.

Operational risk, compliance and legal risk as well as strategic, business and reputational risk are assessed and reported within a structured process concentrating on the major risks relevant for the Bank. The compilation of such risks follows a stress scenario assumption, e.g. focusses on events that may happen, but only rarely, and whose severity, upon happening, is exceptionally high. In addition, the estimated losses are being used in reverse stress testing of the risk capacity.

RISK REPORTING

As a key component of an effective risk management framework, risk reporting is used to understand, monitor, manage and mitigate risks and escalate them to the senior management. It mainly aims at informing the respective levels of management up to the BoD and the ExB on the overall risk profile, particular risk exposures as well as the levels of the Bank's financial ratios and capital and risk indicators. It takes place in the form of regular reports on financial risk and key ratios prepared by the CRO and CFO throughout the year.

The frequency and depth of the reporting is defined, assessed and aligned where appropriate by the recipients of the reports depending on the size and complexity of the respective areas. They are generally catered to provide reassurance on the adherence to risk tolerance, to provide escalation on respective non-adherence and to provide early warnings for exposures to approach of risk levels, which may in turn exceed the Bank's RTF.

The Governance & Risk Committee and the Audit Committee are periodically (at least quarterly) informed by the CRO and the Head of Risk Management about the general risk situation through the Group Quarterly Risk Report prepared by the CRO. Once a year, the Group Quarterly Risk Report is also discussed in the BoD. Additionally, management informs the BoD immediately in case of exceptional events. The Bank allocates a sufficient level of resources to risk monitoring against approved risk limits. Processes are established for reporting changes in risks to the relevant management bodies and risk committees. This enables the BoD and the ExB to review their risk and crisis management frameworks early to implement new regulatory requirements, expand risk and crisis capabilities, and improve efficiency.

With regard to reporting of the adherence to risk tolerance thresholds, exposure reporting for risk tolerance metrics is integrated in the Quarterly Risk Report.

THE THREE LINES OF DEFENCE

The Bank has adopted the Three Lines of Defence model as a guiding organisational framework for managing risk in the functions operating across the Bank. This encompasses the Internal Control System (ICS), which is, among other things, the sum of controls and processes that operate across the three lines of defence to ensure that risk is being incurred in a deliberate and disciplined manner.

The Bank seeks to follow an approach of assigning clear accountability in identifying, assessing, managing, monitoring and reporting risks. In doing so, the Bank has implemented and continues to strengthen the Three Lines of Defence model across its global business operations.

The Three Lines of Defence model is defined according to the following key principles:

The Three Lines of Defence model

Functions operating across the Group

First Line of Defence

- Comprises revenue-generating functions and other business units that incur risk
- Function heads are accountable for the risk that is being incurred in these functions
- Controls are operated to detect and prevent risk

Second Line of Defence

- Comprises independent control functions
- Responsible for overseeing the activities of the business and providing challenge
- Reviews the performance of first-line controls and operates independent controls

Third Line of Defence

- Comprises Internal Audit
- Responsible for performing periodic assurance to determine whether the first and second line are operating in accordance with their respective mandates
- Independent of first and second lines of defence



Internal Control System

CREDIT RISK

Credit risk is the risk of financial losses due to a client or a counterparty being either unable, or only partially able, to meet an obligation owed to the Bank.

The Bank's focus is on lending money to its wealth management clients either on a collateralised basis in the form of Lombard loans or as mortgages in combination with core business.

Professional counterparty exposure

The Bank engages in transactions with banks, brokers and selected institutional clients on both a secured and unsecured basis. This involves individual risk limits and settlement limits being approved for each counterparty. The credit exposures arising from these transactions are monitored on a daily basis, and netting agreements and collateral agreements are used to mitigate exposures further. As a result, the vast majority of the replacement values of the exposure arising from trading transactions are covered by collateral. The Bank places excess liquidity with central banks. It also makes short-term money-market placements with banks and invests in high quality, repo-eligible bonds and secured debt instruments issued by governments, public institutions, banks and corporations.

The Bank has a credit system for managing and monitoring credit risks in the due from banks book. Several controls are incorporated in the system to ensure timely risk management and granting of credit facilities according to delegated credit approval authorities. Credit approvals are processed using a four-eye principle. Approval authorities are continuously kept up to date taking into consideration a number of factors such as risk type, counterparty risk rating and exposure. The credit risks associated with all the counterparties and issuers are subject to a wide range of rules and limits.

These ensure that the Bank's consolidated credit exposure, both on a single-counterparty and a counterparty-group basis,

- is not subject to concentration by exposure type
- is not disproportionate to the size, shareholders' equity and scale of business of the counterparty
- is clearly within the Bank's risk capacity and the applicable regulatory limits.

The Bank settles a substantial proportion of its trading and derivatives business indirectly through central counterparties (CCPs). The credit risks associated with CCPs are negligible, because the Bank works through a variety of specialised service providers and therefore generally does not directly participate in the clearing systems concerned.

Given the focused nature of its activities, the Bank is not exposed to any material correlation risk or wrong-way risk (i.e. the risk which arises when exposure to a counterparty is negatively correlated to its credit quality). Furthermore, the Bank holds cash collateral for the majority of the counterparty risk arising from its open derivatives positions. The Bank's securities lending business policies explicitly prohibit transactions involving correlation risk.

The Bank has a general policy of avoiding group-rating triggers in its collateral agreements for derivatives transactions. As a result, were its rating to decline below a given level, the Bank would not be required to provide additional collateral.

For professional counterparties, a regular stress test is in place. The current exposure is stressed and set against current limits and against stressed equity of the counterparty.

Lombard lending

The Bank has a policy of lending to wealth management clients on a collateralised basis. The credit risk results from lending activities and derivatives transactions requiring a margin.

The Bank uses credit risk models and frameworks to assess the riskiness of its portfolio in line with the respective lending policies. On that basis, conservative lending values are set as a percentage of the collateral market value. These lending values can be determined or adjusted for a specific security or for individual clients.

Every counterparty with a credit line is assigned an internal credit rating. The risk rating reflects the underlying credit risk and primarily depends on the collateral provided by the counterparty, collateral concentration and client-specific conditions. In the case of the rating classes R1 to R6 (neither past due nor impaired), the outstanding balances are serviced; the lending value of the collateral (at fair value) pledged for collateralised exposures equals or exceeds the balances, and repayment of the balance is not in doubt. Balances in rating class R7 are partially past due (e.g. interest past due), but the exposure is still covered by collateral. For balances in rating classes R7 to R10, loss allowances are established on a case-by-case basis.

The risk rating and size of the counterparty's credit limit also determines the approval authority level, the monitoring and review frequency.

The Bank's objective is to achieve a growth in Lombard lending commensurate with the evolution of its wealth management business. To that end, the Board of Directors for example defines corridor values for credit penetration (the ratio of credit cash exposure to assets under management). In addition, the Bank has implemented a set of regularly reviewed limits for the ongoing management and systematic monitoring of various credit risk concentrations in the Lombard business in line with

its risk strategy. This includes limits related to single asset collaterals, client groups, geographical (on country-of-risk level) or risk rating concentrations; all of these limits have the same significance and are adhered to equally. Any breach of the limits becoming apparent would be dealt with in line with the general risk governance policy described above. Furthermore, management triggers exist for these limits, which allows management to take the necessary actions at an early stage so that any potential breach can be avoided. None of the internal risk limits has been exceeded during the business years 2021 and 2020.

Additionally, an internal guideline for the maximum loan-to-deposit ratio, which is reviewed and validated periodically, is in place. The maximum ratio has not been exceeded during the business years 2021 and 2020.

Regular and ad hoc stress testings are performed. These are calibrated to reflect the prevailing market and political situation. The results are reviewed by the credit-monitoring units and reported to the relevant decision-making committees. All distressed and non-performing loans are identified at an early stage and managed proactively. Collateral shortfalls (e.g. margin calls) are processed on a daily basis and prioritised according to their severity.

The Bank is using a credit system for managing and monitoring Lombard risks. The system draws the relevant position data from the bookkeeping systems of the Bank. The system is able to enrich this data with credit-specific information and to consolidate it with data on client and counterparty positions from the various booking centres. Several controls are incorporated in these systems. All Lombard risks are monitored daily, as are current limit usage and the quality of the collateral pledged. In addition, for clients with derivatives positions whose exposure requires intraday monitoring, real-time systems are also available.

Mortgages

The Bank grants mortgages to wealth management clients in Switzerland and in a limited number of international locations. The properties pledged are assessed and valued individually as part of the risk management process. These valuations are carried out based either on a factor model or by qualified internal and external appraisers. Maximum mortgage amounts are determined based on the characteristics of each property and client. An additional financial sustainability assessment is also carried out before a mortgage is granted. In many cases, supplementary collateral in the form of securities is required in addition to the pledged property itself. Every mortgage is assigned a risk rating. The rating reflects the underlying credit risk, which primarily depends on the counterparty assessment, the property and potentially supplementary collateral. The risk rating for

the requested limit size also determines the approval level and review frequency. The Bank tends to assign comparatively low mortgage values and adopt a relatively conservative approach to mortgage risk.

The Bank conducts regular stress tests with different scenario size depending on the location and ad hoc portfolio analysis to assess potential negative market impacts on the mortgage book.

The mortgage positions are monitored in a supervision system globally. Additionally, a workflow system for monitoring and managing credit risks for the Swiss mortgage book is in place. Several controls are incorporated in these systems to ensure timely registration and collateral valuation, the granting of credit facilities according to delegated credit approval authorities, and formalised monitoring procedures.

MARKET RISK

Market risk refers to the potential losses from changes in the valuation of its assets and liabilities because of changes in market prices, volatilities, correlations and other valuation-relevant factors.

It could be further separated into:

- Trading market risk, resulting from trading book transactions, being pursued with the intention of benefiting from actual or expected differences between the opening and closing price of proprietary positions, with the intention of benefiting from arbitrage profits, or with the intention of hedging risks from positions meeting aforementioned criteria, and
- Non-trading market risk, resulting from the management of financial assets and liabilities held in the Bank's banking book with exposures mainly to interest rate risk, currency risk, credit spread risk, and equity risk.

The Bank assumes market risk exposure through activities of the subdivision Markets (trading market risk) and CFO (non-trading and trading market risk in the Treasury department) as well as through the purchase of participations and financial investments triggered by the authorised body.

Identification of trading and non-trading market risks is ensured with a strict product approval process including the assessment and validation of models, implementation in trading and risk systems to assure the capture of all risk components. A regular review of positions and models in trading and banking books assures an ongoing identification of new risks or the need for changing models or processes.

The Bank uses statistical measures to assess trading and non-trading market risks and to represent these risks in the Risk Landscape. These measures are part of the toolbox used in the day-to-day market risk management and measurement process. As an example, the Bank calculates probability-loss curves using Value at Risk (VaR) and expected shortfall measures. These curves determine the potential loss that may occur with a given probability over the next three years using the previous year's market data (and the assumption that after losses of four times the VaR, the risk positions would be hedged to avoid further losses). This is done separately for trading and non-trading market risk, producing two probability-loss curves.

Further, the Bank performs market risk portfolio analyses and stress testing on a regular basis as well as in relation to specific events. Efforts are made to ensure that the net effect under various stressed conditions is taken into account in the risk assessment and monitoring processes. The purpose of market risk stress testing is

- to assess the adequacy of the Bank's financial resources for periods of severe stress, and develop contingency plans for the Bank if the need arises,
- to promote risk identification and add further insight into the need for setting new limits, and
- to serve as a supplement to the ongoing quality assurance for market risk management practices.

The stress testing programme provides additional perspectives on market risk by applying multiple methodologies to scenarios with various degrees of severity. The complexity of the methodologies ranges from simple sensitivity analyses to complex scenario stress testing (as required to meet the purpose of the stress test).

For trading market risk assumed in the Markets subdivision, the Market Risk and Product Control unit oversees the application of the framework set by the BoD. Authorities and responsibilities for trading activities are cascaded down from the ExB to the subdivision Head Markets, Business Line Heads and Trading Desk Heads.

For non-trading and trading market risk managed within the Treasury department, the Market Risk and Product Control unit oversees the application of the framework set by the BoD and the Asset and Liability Committee, and issues additional rules and constraints as deemed required.

Market risk management activities are described in various key policies. A control environment for market risk has been implemented and integrated into key business processes. This ensures that products are approved to be in line with the strategy and risk tolerance, limits are in place and adhered to, front-to-back reconciliation processes are in place, and the valuation of positions follows a fair value approach.

The Bank uses a variety of metrics and models to continuously measure and control market risk exposures. Limits are set using these models, reflecting the Bank's risk tolerance, including:

- VaR limits
- Scenario and sensitivity limits
- Nominal/ market value limits, sensitivity ('Greeks') limits
- Stress scenario limits
- Stop loss limits and/or profit and loss volatility limits
- Intraday limits

Internal models are developed and maintained for the pricing and risk management of financial products that cannot be valued directly or risk-managed on the basis of quoted market prices. These models are independently certified and regularly reviewed based on a risk-materiality assessment.

Non-trading market risk models are subject to regular reviews:

- Scenario model to assess the risk of losses caused by interest rate moves on balance sheet mismatch positions and/or model risk arising from assets or liabilities with no fixed maturity
- Scenario model to assess the risk of losses on the balance sheet FX exposure due to unfavourable currency movements
- Scenario model to assess the credit spread risk due to the change in credit risk premium required in the market for a given credit quality of an investment

Regulatory back-testing is performed daily to document the performance of the internal VaR model. Risk and pricing models are independently validated prior to implementation and are subject to formal periodic review.

TREASURY RISK

Treasury risk consists of financing and liquidity risk.

Financing risk is the risk of the Bank being unable to finance its existing or planned activities on an ongoing basis at acceptable prices. Liquidity risk, conversely, is the risk of the Bank being unable to meet its payment obligations when they fall due.

The Treasury department of the Bank is responsible for the liquidity and funding activities. This includes executing the funding plan and managing the liquidity reserve. Liquidity management is centralised and conducted on a consolidated basis to ensure regulatory compliance at the Bank level and compliance with internal requirements.

The Market Risk and Product Control unit as part of the Risk Management department validates and challenges the models and assumptions used by the first line of defence for reporting risk measures.

Treasury risk is inherent in basic banking activities such as accepting deposits and providing loans and credits. The transformation of short-term deposits into long-term loans exposes banks to maturity mismatches that cannot be eliminated. The Bank manages this liquidity risk by holding sufficient liquidity to meet its obligations and follow its strategies – in particular regulatory obligations, business plans and rating ambitions – even in stressed situations. The key elements of the liquidity and financing risk framework are:

- measurement of risk by using appropriate models
- liquidity ratios and limits
- stress testing
- fund transfer pricing system
- reporting

To identify risks and assure adherence to the liquidity and financing risk framework, the Bank follows:

- a new product approval process assuring that any new business or product is assessed by all stakeholders,
- a daily analysis of positions by risk management, and
- a regular review of models used in the measurement of liquidity and financing risks.

The assessment of liquidity and financing risks is primarily drawn from stress-testing results. The Bank has a liquidity stress-testing model in place that runs regular liquidity stress tests and enhanced liquidity stress tests taking into consideration longer time periods, currency shocks or contingent liquidity risks. While the Bank recognises that stress testing and the modelling of future cash flows are subject to model uncertainty, the liquidity stress-testing approach captures both funding liquidity risk (e.g. ‘bank run’ scenarios where an entity may not be able to meet its short-term liabilities) and asset liquidity risk (e.g. the risk that assets valuations may be subject to large haircuts in value).

The Bank’s liquidity risk management includes incentive measures to maintain a sound balance of short-term liabilities vs. the size of its balance sheet. Furthermore, delegated to the Treasury department, liquidity risk management seeks to ensure that sufficiently large liquid assets are in place (and available for drawdown in normal markets and stressed markets).

The stress-testing models and parameters are annually reviewed and approved by the Group’s Asset Liability Committee.

Various policies and controls are in place to manage treasury risk. The Group Funding Liquidity Manual outlines the quantitative and qualitative methodologies for managing liquidity and funding risks at the Bank, and complements the Group Liquidity Risk and Funding Policy. The manual contains the Group Liquidity Contingency Plan, which would be deployed in the event of a severe deterioration of the Bank’s liquidity situation. The contingency plan defines responsibilities and lists potential liquidity-generating measures to be evaluated on a case-by-case basis.

The risk management and measurement of liquidity and financing risks is based on the following risk metrics:

- liquidity stress tests
- Liquidity Coverage Ratio (LCR). For additional information to the LCR, refer to the separate Basel III Pillar 3 Report, published in the Financial Reporting section of the www.juliusbaer.com website (this will be available at the end of April 2022)

- Net Stable Funding Ratio (NSFR)
- funding gap analysis
- funding concentration analysis
- early warning indicators

NON-FINANCIAL RISK

The Bank is subject to various non-financial risks by providing services to clients and counterparties, by receiving services from third parties and by operating in a regulated industry.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, external events or fraud.

Compliance risk is the risk of financial loss or damage resulting from a breach of applicable laws and regulations, or the non-adherence to internal or external rules and regulations or market practice. The loss or damage in such circumstances may take the form of fines and/or disgorgement imposed by regulatory and/or criminal authorities, or other sanctions such as restrictions on business activities, the imposition of mandatory remedial measures (including monitoring) or even the loss of license.

Legal risk essentially comprises default and liability risk. Default risk is defined as the risk of loss or damage resulting from an entity being unable to enforce existing or anticipated rights against third parties. Liability risk, on the other hand, arises when an entity, or someone acting on its behalf, fails to meet an obligation owed to a third party or fails to respect the rights of a third party.

Strategic risk is defined as the risk of employing a strategy that fails to secure the adequate returns available from the capital employed in the long run. The Bank is exposed to strategic risk in the pursuit of its growth strategy. It may arise from strategic

decisions such as joint ventures, mergers and acquisitions, the pricing strategy and strategic recruiting, or the lack of making timely decisions.

Sustainability risks are environmental, social or governance events or conditions which, if they occur, have or may have significant negative impacts on the Bank's assets, financial and earnings situation, or its reputation.

Business risk is the risk arising from a bank's long-term business strategy of pure wealth management. It deals with a bank not being able to keep up with changing competition dynamics and/or an unfavourable fiscal, political or regulatory environment.

Reputational risk describes the risk that the reputation the Bank has with its stakeholders (including regulators, shareholders, clients, employees and the general public) deteriorates and the trust in its franchise and brand value is negatively influenced. The reputation may deteriorate due to cases in which stakeholders' perception of the Bank differs negatively from their expectations. Negative publicity about the Bank's business practices can involve any aspect of its operations, but usually relates to topics of business ethics and integrity, or the quality of products and services. This includes signals of unexpected negative press, which may lead to extensive money outflows or client withdrawals. Its reputation may also be at risk if environmental, social and governance standards are not being met or if its actions are misaligned with the expectations of relevant stakeholders.

The Bank has defined the underlying risk management processes for every risk type along a Risk Management Cycle.



The continuous identification (step 1) of relevant risks is a key risk management activity. This relates to both emerging threats/risks as well as to increasing risk profiles. New risks may arise from the development and launch of new products and services, a change in the regulatory landscape or a change to the business model.

The assessment (step 2) of identified risks consists of the qualitative analysis and quantification of the inherent risk, the control risk and finally the residual risk along defined risk management principles and methods. It also includes the development, testing and validation of models to measure risks, as well as stress-testing procedures to assess and measure risks in predefined scenarios.

The day-to-day risk management (step 3) has to ensure an adequate response to identified risks and the set risk tolerance. It includes all activities from risk evaluation to the definition and implementation

of risk mitigation measures that aim to prevent or reduce risks and damages, e.g. the setting of standards and controls, education and training, automation of processes, and the implementation of standards, limits and metrics.

Monitoring activities (step 4) include the performance of control activities or quality assurance procedures on implemented standards and controls to ensure that the risk profile and exposure is kept within the risk tolerance, e.g. via risk metrics (KRIs or KPIs) and limits.

The reporting (step 5) supports all hierarchy levels to have a transparent and accurate overview of the underlying risk profile and risk exposure. This also includes timely escalation in case of breaches of set risk tolerances. The frequency and depth of the reporting is defined, assessed and aligned where appropriate by the recipients of the reports depending on the size and complexity of the respective areas.

COMMENT ON CAPITAL MANAGEMENT

MANAGEMENT OF CAPITAL INCLUDING REGULATORY CAPITAL

For information about capital management including regulatory capital, refer to the respective section in the Annual Report 2021 of Julius Baer Group Ltd.

KEY FIGURES¹

	2021	2020
Available capital (CHF m)		
Common Equity Tier 1 capital (CET1)	3,687.2	3,444.7
Tier 1 capital	4,167.2	3,924.7
Total capital	4,278.7	4,057.8
Risk weighted assets (RWA) (CHF m)		
RWA	18,818.5	19,320.4
Minimum capital requirements	1,505.5	1,545.6
Risk-based capital ratios as a percentage of RWA		
Common equity tier 1 capital ratio (%)	19.6	17.8
Tier 1 capital ratio (%)	22.1	20.3
Total capital ratio (%)	22.7	21.0
Additional CET1 buffer requirements as a percentage of RWA		
Capital conservation buffer requirement as per the Basel minimal standards (2.5% from 2019) (%)	2.5	2.5
Countercyclical buffer requirement (art. 44a CAO) as per the Basel minimal standards (%)	0.1	0.1
Total of Bank CET1 specific buffer requirements as per the Basel minimal standards (%)	2.6	2.6
CET1 available after meeting the Bank's minimum capital requirements as per the Basel minimal standards (%)	14.7	13.0
Target capital ratios according to appendix 8 CAO (% of RWA)		
Capital buffer according to appendix 8 CAO (%)	4.0	4.0
Countercyclical capital buffer (art. 44 and 44a CAO) (%)	0.1	0.1
CET1 target ratio (%) according to appendix 8 CAO in addition to countercyclical capital buffer according to art. 44 and 44a CAO	7.9	7.9
Tier 1 target ratio (%) according to appendix 8 CAO in addition to countercyclical capital buffer according to art. 44 and 44a CAO	9.7	9.7
Total capital target ratio (%) according to appendix 8 CAO in addition to countercyclical capital buffer according to art. 44 and 44a CAO	12.1	12.1
Basel III leverage ratio		
Total Basel III leverage ratio exposure measure (CHF m)	112,133.8	92,145.2
Basel III leverage ratio (%)	3.7	4.3
Liquidity coverage ratio		
Total HQLA (CHF m)	23,444.0	20,918.5
Total net cash outflow (CHF m)	14,880.5	13,582.0
LCR ratio (%)	157.5	154.0
Net Stable Funding Ratio (NSFR)²		
Available stable funding	62,245.8	-
Required stable funding	47,926.8	-
Net Stable Funding Ratio, NSFR (%)	129.9	-

¹ Row structur according to the sample table enclosed in the FINMA circular 2016/1, annex 2, table KM1.

² Not to be disclosed until the regulation on the NSFR has come into force according to FINMA circular 2016/1, annex 2, table KM1.

ACCOUNTING POLICIES AND VALUATION PRINCIPLES

Amounts in the Bank's financial statements are stated in Swiss Francs. The accounting policies and valuation principles are based on the regulations of the Swiss Code of Obligations, on Swiss Banking Law and the Ordinance thereto, on the FINMA Accounting Ordinance (Rechnungslegungsverordnung-FINMA; RelV-FINMA) and the Guidelines of the Financial Market Supervisory Authority (FINMA) Circular 2020/1 'Accounting Banks'.

Bank Julius Baer & Co. Ltd., which has its headquarters in Zurich, Switzerland, applies the principles related to the statutory single-entity closing with reliable assessment.

USE OF ESTIMATES IN PREPARING THE STATUTORY FINANCIAL STATEMENTS

In preparing the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent liabilities. Actual results in future periods could differ from such estimates.

Estimates and assumptions are used mainly in the following areas of the financial statements and are discussed in the corresponding notes: determination of the fair values of financial instruments, uncertainties in measuring provisions and loss allowances (measurement of expected credit losses), pension assets and pension liabilities (measurement of defined benefit obligation), share-based payments, goodwill and other intangible assets (determination in a business combination and measurement of recoverable amount), income taxes (judgment regarding the interpretation of the applicable tax laws and the respective tax practice,

such as transfer pricing or deductible versus non-deductible items, and anticipation of tax audit issues) and contingent considerations.

ACCOUNTING POLICIES

The Bank applies uniform accounting and measurement principles, which have remained the same as in the previous year, except as outlined at the end of this summary in the section changes in accounting policies.

Business combinations

In a business combination, the acquirer obtains control over the net assets of one or more businesses. The business combination is accounted for using the acquisition method. This involves recognising the identifiable assets, including previously unrecognised intangible assets, and liabilities of the acquired business, at acquisition-date current value. Any excess of the consideration provided, such as assets or equity instruments issued and measured at acquisition-date fair value, over the identifiable net assets acquired, is recognised as goodwill. Transaction costs are expensed as incurred.

Foreign currency translation

In the individual financial statements of the Bank, income and expenses denominated in foreign currencies are translated at the exchange rate on the date of the respective transaction. Assets and liabilities are translated at the closing exchange rate on the balance sheet date. The resulting gains and losses on monetary assets and liabilities are recognised in the income statement as foreign exchange gains/losses.

The following exchange rates are used for the major currencies:

	Year-end rates		Average exchange rates for the year	
	31.12.2021	31.12.2020	2021	2020
USD/CHF	0.9111	0.8839	0.9150	0.9340
EUR/CHF	1.0362	1.0816	1.0795	1.0705
GBP/CHF	1.2341	1.2083	1.2580	1.2060

Reporting of transactions

Foreign exchange, derivatives and securities transactions are recorded in the balance sheet on trade date. All other financial instruments are recorded on settlement date.

Income recognition

Income from services provided is either recognised at the time the service is performed, i.e. upon execution of a transaction, or in the corresponding periods over the life of a contract if services are provided over a certain period of time. Income and income components that are based on performance are recognised at the time when all performance criteria are fulfilled.

Cash

Cash includes notes and coins on hand, as well as balances held with central banks.

Due from banks, due from customers and mortgages

Amounts due from banks are recognised at nominal value. Amounts due from customers and mortgages are initially recorded at cost, which in general is equal to the principal amount for originated receivables.

General ECL model: An entity is required to recognise expected credit losses at initial recognition of any financial instrument and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of the respective instruments.

In general, the expected credit loss model uses a dual measurement approach:

- if the credit risk of a debt instrument has not increased significantly since its initial recognition, the debt instrument will attract a loss allowance equal to the 12-month expected credit losses ('stage 1' ECL);
- if the credit risk of a debt instrument has increased significantly since its initial recognition, the debt instrument will attract a loss allowance equal to lifetime expected credit losses ('stage 2' ECL) or the debt instrument is impaired ('stage 3' ECL).

At initial recognition, the Bank classifies all financial assets in stage 1, as it does not acquire or originate credit-impaired debt instruments.

Significant increase: If a significant increase in credit risk has occurred to the financial instrument, the instrument moves from stage 1 to stage 2. The threshold applied varies depending on the original credit quality of the counterparty. For assets with lower default probabilities at origination due to good credit quality of the counterparty, the threshold for a significant increase in credit risk is set at a higher level than for assets with higher default probabilities at origination. This implies that for financial assets with initially lower default probabilities a relatively higher deterioration in credit quality is needed to trigger a significant increase than for those assets with originally higher probabilities of default.

The model is symmetric, meaning that if the transfer condition (significant increase) is no longer met, the financial asset is transferred back into the 12-month expected credit losses category (stage 1).

Measurement of ECL: An entity should measure expected credit losses of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, i.e. based on probability of default;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Generally, ECL calculations are based on four components:

- probability of default (PD)
- exposure at default (EAD)
- loss given default (LGD)
- discount rate (IR)

These four components are used in the following basic formula: $ECL = PD * EAD * LGD * IR$

Recognition of the loss allowance and write-offs: The impairment loss recognised in the income statement (net impairment losses/(recoveries) on financial assets) is the amount required to adjust the loss allowances from the previous reporting date to the current reporting date due to the periodic detailed ECL calculation.

The gross carrying amount of a financial asset is written off when there is no reasonable expectation of recovery of the amount, i.e. the amount outstanding is deemed uncollectible or forgiven. The time of each write-off is individually determined on a case-by-case basis once the Credit Department decides that there is no reasonable expectation of recovery. For collateralised loans, it is only after a foreclosure sale of the pledged assets that a write-off takes place for any remaining uncovered balance.

Securities lending and borrowing transactions

Securities lending and borrowing transactions are collateralised by securities or cash. The transactions are usually conducted under standard agreements employed by the market participants; the counterparties are subject to the Bank's normal credit risk process.

Securities borrowed as well as securities received by the Bank as collateral under securities lending transactions are only recorded in the balance sheet if the Bank obtains control of the contractual rights (risks and rewards of ownership) associated with these securities. Similarly, securities lent as well as securities provided by the Bank as collateral under securities borrowing transactions are only derecognised from the balance sheet if the Bank relinquishes control of the contractual rights associated with these securities. Securities lent

and securities provided as collateral that remain in the balance sheet are remeasured according to the respective position they are recorded in. The fair values of securities received or provided are monitored daily in order to provide or request additional collateral in accordance with the underlying agreements.

Cash collateral received is recognised with a corresponding obligation to return it, and cash collateral provided is derecognised and a corresponding receivable reflecting the Bank's right to receive it back is recognised.

Fees received or paid in connection with securities lending and borrowing transactions are recognised as commission income or commission expenses on an accrual basis.

Repurchase and reverse repurchase transactions

Repurchase transactions and reverse repurchase transactions are considered secured financing transactions and are recorded at the value of the cash collateral provided or received. The transactions are generally conducted under standard agreements employed by the market participants; the counterparties are subject to the Bank's normal credit risk process.

Securities received and securities delivered are only recorded in the balance sheet or derecognised from the balance sheet if control of the contractual rights (risks and rewards of ownership) associated with these securities is relinquished as well. The fair values of the securities received or delivered are monitored daily in order to provide or request additional collateral in accordance with the underlying agreements.

Cash received is recognised with a corresponding obligation to return it, and cash provided is derecognised and a corresponding receivable reflecting the Bank's right to receive it back is recognised.

Interest income from reverse repurchase transactions and interest expenses from repurchase transactions are accrued in the corresponding periods over the life of the underlying transactions in the respective interest positions.

Trading assets/liabilities

All trading positions are recognised at fair value. Realised gains and losses on disposal or redemption and unrealised gains and losses from changes in the fair value are recognised in result on trading activities and the fair value option.

Interest and dividend income and interest expense from trading positions are included in gross result on interest operations.

Precious metals held for trading purposes are measured at fair value less costs to sell with all changes in the fair value recognised in result on trading activities and the fair value option.

Financial assets/liabilities designated at fair value

Financial assets and liabilities may initially be designated at fair value through profit or loss (fair value option) if the following conditions are cumulatively met:

- they are measured at fair value and risk-managed similar to trading positions;
- there is an economic hedge relationship between the respective assets and liabilities which widely reduces or eliminates an accounting mismatch; and
- the possible effect of changes in the own credit rating on the fair value is not recognised in the income statement.

The Bank measures its issued structured products containing a debt instrument and an embedded derivative at fair value, with changes in fair value recognised in result on trading activities and the fair value option.

In addition, the Bank reports assets and liabilities related to certain structured investments where the client bears all the related risks and rewards from the investments, as designated at fair value.

Derivative financial instruments and hedging

The Bank applies the respective IFRS 9 guidelines for the treatment of derivative financial instruments including hedging.

Derivative financial instruments held for trading, including foreign exchange products, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (written options as well as purchased options), are recognised at fair value. In order to calculate the fair value, corresponding stock exchange prices, discounted cash flow models and option pricing models are employed. Derivatives are reported as an asset position if their fair value is positive and as a liability position if their fair value is negative. Changes in fair value on trading positions are recognised in result on trading activities and the fair value option.

An entity may choose to designate a hedging relationship between a hedging instrument and a hedged item in order to achieve hedge accounting. Prior to hedge accounting being applied, all of the following steps must have been completed:

- identification of eligible hedged item(s) and hedging instruments;
- identification of an eligible hedged risk;
- verification that the hedge relationship meets the definition of one of the permitted types (see below);
- verification that the qualifying criteria for hedge accounting are met; and
- formal designation of the hedge relationship.

The Bank applies the following IFRS 9 hedge accounting models (concepts):

Fair value hedge (FVH) accounting: The risk being hedged in a fair value hedge is a change in the fair value of an asset or liability or an unrecognised firm commitment that is attributable to a particular risk and could affect the income statement. The changes in fair value might arise through changes in interest

rates, foreign exchange rates or equity prices, i.e. the item to hedge is 'some fixed item', which however underlies variability due to market changes, which shall be prevented.

For an FVH, an adjustment is made to the carrying value of the hedged item to reflect the change in the value due to the hedged risk, with an offset to the income statement for the change in value of the hedging instrument. Where the offset is not complete, this will result in ineffectiveness to be recorded in the income statement.

Cash flow hedge (CFH) accounting: The risk being hedged in a cash flow hedge is the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, an unrecognised firm commitment or a highly probable forecast transaction, and could affect the income statement. The item to hedge is 'some variable item', i.e. producing some variable cash amount, which shall be stabilised (the amount shall be fixed).

For a CFH, the carrying amount of the hedged item, which may not even be recognised yet, is unchanged. The effect of hedge accounting is to defer the effective portion of the change in value of the hedging instrument in other comprehensive income (under Swiss GAAP, direct bookings into equity are not allowed; therefore, such amounts are recognised in the settlement account instead which is part of other assets/other liabilities). Any ineffective portion remains in the income statement as ineffectiveness.

Remaining hedge accounting under IAS 39: As permitted under IFRS 9, the Bank continues to apply the hedge accounting requirements of IAS 39 to fair value hedges of portfolio interest rate risk related to Lombard loans.

Economic hedges: Certain derivative transactions represent financial hedging transactions and are in line with the risk management principles of the Bank. However, in view of the strict and specific guidelines of IFRS, they do not fulfil the criteria to be treated as hedging transactions for accounting purposes. They are therefore reported as trading positions. Changes in value are recorded in the income statement in the corresponding period.

Financial investments

Security positions, including money market instruments, which are not held for trading purposes, are reported as financial investments.

Money market instruments: Money market instruments are measured at amortised cost. Interest on these instruments is accrued using the effective interest method, including the amortisation of premiums and discounts and is recognised in gross result on interest operations.

Debt and equity instruments: Debt and equity instruments are measured at the lower of cost or fair value. Changes in value are recognised under the item other ordinary income or other ordinary expenses. Write-ups are recorded up to the initial cost of the investments provided that the below-cost fair value subsequently rises again. Realised gains and losses are included under the item results from the sale of financial investments. Interest on debt securities is accrued and, together with dividend income on equity securities, recognised in gross result on interest operations.

Participations

Participations are investments in the equity of enterprises which are intended as a long-term investment irrespective of the percentage of voting shares held. They are recognised at initial cost less economically necessary depreciation.

Tangible fixed assets

Tangible fixed assets include bank premises, IT, software, communication systems, leasehold improvements as well as other equipment. They are carried at cost less accumulated depreciation and impairment losses. Items of property and equipment are depreciated over their estimated useful lives using the straight-line method.

Bank premises are depreciated over a period of 66 years. Leasehold improvements are depreciated over the shorter of the residual lease term or useful life. IT hardware is depreciated over three years and other items of property and equipment generally over five to ten years.

Leasehold improvements are investments made to customise buildings and offices occupied under lease contracts to make them suitable for the intended purpose. If a leased property must be returned to its original condition at the end of the lease term, the present value of the estimated reinstatement costs is capitalised as part of the total leasehold improvement costs. At the same time, a liability for reinstatement costs is recognised to reflect the obligation incurred. The reinstatement costs are recognised in the income statement through depreciation of the capitalised leasehold improvements over their useful life.

Software that is purchased is capitalised and depreciated over its estimated useful life. Minor purchases are debited directly to general expenses. Similarly to purchased software, internally generated software is also capitalised if it is probable that the future economic benefits that are attributable to the asset will flow to the Bank and that the costs of the asset can be identified and measured reliably. The capitalised software is depreciated over its useful life which does not exceed ten years.

Subsequent expenditure on an item of property and equipment is recognised in the carrying value of the item if it is probable that the Bank will profit from the future economic benefits of the investment. Current maintenance and servicing costs are recognised in general expenses.

On each balance sheet date, the items of property and equipment are reviewed for indications of impairment. If such indications exist, it is determined whether the carrying amount of the item is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

Leasing

Under operating leasing, leased assets are not recognised on the balance sheet, as the risks and rewards of ownership remain with the lessor. Lease payments for operating leases are recognised through the item general expenses in the income statement over the lease term on a straight-line basis.

Intangible assets

Intangible assets are classified into the following categories:

Goodwill: In a business combination, the acquiree's identifiable assets and liabilities are recognised at their respective fair value at acquisition date. Goodwill is measured as the difference between the sum of the fair value of consideration transferred and the recognised amount of the identifiable assets acquired and liabilities assumed. Goodwill is amortised using the straight-line method over a period of five years, in justified cases also over a maximum period of ten years.

Customer relationships: This position comprises long-term customer relationship intangibles from recent business combinations that are initially recognised at fair value at the date of acquisition. Customer relationships are amortised over their estimated useful life not exceeding ten years, using the straight-line method.

On each balance sheet date, goodwill and customer relationships are reviewed for indications of impairment. If such indications exist, it is determined whether the carrying amount of the goodwill or client relationships is fully recoverable, and an impairment loss is recognised if the carrying amount exceeds the recoverable amount. Irrespective of this requirement, goodwill is tested for impairment each year.

Due to banks and due to customers

Amounts due to banks and customers are recognised at nominal value. Interest is debited to interest expenses on an accrual basis.

Debt issued

Issued bonds are initially recognised at the fair value of the consideration received and are subsequently reported in the balance sheet at amortised cost using the effective interest method. Own bonds that the Bank holds are offset.

Taxes

The current taxes on the result for the period (income taxes) as well as the capital taxes are determined in accordance with the local tax regulations for calculating profit and the relevant capital and are recognised as expense in the accounting period in which the related profit arises. Direct taxes owed on current profit are recognised as accrued expenses.

Provisions

A provision is recognised if, as a result of a past event, the Bank has a legal or constructive present obligation existing on the balance sheet date that will probably lead to an outflow of resources and whose amount can be reliably estimated. The amount recognised as a provision is the best estimate of the consideration required to settle the obligation as at the balance sheet date, taking into account the risks and uncertainties related to the obligation. The recognition and release of provisions are recorded in the income statement through provisions and losses.

Post-employment benefits

The Bank applies IAS 19 Employee benefits for the recognition and measurement of its post-employment benefits (pension plans). However, amounts which are recognised in other comprehensive income directly in equity for IFRS purposes are recognised in the income statement for the purpose of these financial statements.

For defined benefit plans, the net defined benefit liability recognised in other liabilities in the balance sheet is the present value of the defined benefit obligation less the fair value of the plan assets as of the reporting date. The Bank applies the projected unit credit method to determine the present value of the defined benefit obligation and the current and past service cost. The corresponding calculations are carried out by independent qualified actuaries.

All changes in the present value of the defined benefit obligation and in the fair value of the plan assets are recognised in the financial statements immediately in the period they occur. Service costs, including past service costs, and net interest on the net defined benefit liability are recognised in the

income statement. The Bank determines the net interest expense based on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation. The remeasurement of the net defined benefit liability is also recognised in the income statement and comprises movements in actuarial gains and losses and return on plan assets (excluding net interest cost).

For defined contribution pension plans, the contributions are expensed when the employees render the corresponding service to the Bank.

Share-based payments

The Bank maintains various share-based payment plans in the form of share plans for its employees. When such payments are made to employees, the fair value of these payments at grant date serves as the basis for calculating the personnel expenses. Share-based payments that are not subject to any further conditions are expensed immediately at grant date. Share-based payments that are subject to the completion of a service period or to other vesting conditions are expensed over the respective vesting period starting at grant date. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related services and non-market performance vesting conditions are expected to be met.

The Bank uses shares of its parent company Julius Baer Group Ltd (i.e. virtual equity instruments) for the settlement of the share plans; therefore, the expense recognised for the share plans are adjusted to the acquisition date fair value of the vested shares, or the present fair value, if the shares have not yet been purchased.

Share capital

The share capital comprises all issued, fully paid shares of Bank Julius Baer & Co. Ltd.

Statutory capital reserve

The statutory capital reserve represents the additional proceeds (premium) received from the issue of shares by Bank Julius Baer & Co. Ltd. and from the exercise of conversion rights and warrants on Bank Julius Baer & Co. Ltd.

Statutory retained earnings reserve

The statutory retained earnings reserve represents retained earnings which have been accumulated according to the legally mandatory requirements.

Voluntary retained earnings reserve

The voluntary retained earnings reserve represents retained earnings which have been accumulated in addition to the legally mandatory requirements.

Profit carried forward

The profit carried forward represents profits from previous years not allocated to the statutory and voluntary retained earnings reserves and not distributed to the shareholders.

Irrevocable commitments and contingent liabilities

The irrevocable commitments relate to unutilised irrevocable commitments to extend credit.

The contingent liabilities comprise, among other instruments, credit guarantees in the form of obligations under avals, sureties and guarantees, including guarantee obligations in the form of irrevocable letters of credit, bid and performance bonds, and irrevocable liabilities under documentary letters of credit.

These items are recorded at nominal value. Provisions are established for foreseeable risks.

Fiduciary transactions

Fiduciary transactions consist of investments, credits and participations that the Bank enters into or grants in its own name but for the account of and at the risk of the client as per written instruction.

CHANGES IN ACCOUNTING POLICIES AND VALUATION PRINCIPLES

The Bank adopted the hedge accounting requirements of IFRS 9 Financial Instruments as of 1 January 2021 (see the Accounting Policies and Valuation Principles section for the remaining differences between IFRS and Swiss GAAP). As permitted by IFRS 9 Financial Instruments, the Bank has prospectively adopted the hedge accounting requirements of this standard for all its existing hedges previously accounted for under the guidelines of IAS 39 Financial Instruments: Recognition and Measurement, except for fair value hedges of portfolio interest rate risk, which continue to be accounted for under IAS 39.

The hedge accounting model in IFRS 9 improves the alignment of the Bank's risk management practices with the respective accounting treatment.

In addition, it amends the hedge effectiveness testing requirements, extends possibilities of the application of hedge accounting and permits the amortisation of the option's time value as 'cost of hedging'.

The adoption of these requirements had no material financial impact on the Bank's financial statements. However, since the adopting the new standard, the Bank increasingly designates more effective hedge accounting relationships due to the more favourable rules and applications and hence reduces volatility in the income statement. The Bank also introduced cash flow hedge accounting to hedge the interest rate risk of certain groups of assets (Lombard loans) as well as to hedge future stable and predictable foreign currency cash flows.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 GROSS RESULT ON INTEREST OPERATIONS

	2021 CHF 1,000	2020 CHF 1,000	Change CHF 1,000	Change %
Interest income on cash	-43,351	-38,308	-5,043	13.2
<i>of which negative interest</i>	-43,351	-38,308	-5,043	13.2
Interest income on amounts due from banks	232	8,546	-8,314	-97.3
<i>of which negative interest</i>	-1,062	-1,124	62	-5.5
Interest income on loans	520,597	573,967	-53,370	-9.3
<i>of which negative interest</i>	-481	-883	402	-45.5
Interest income on financial investments	125,059	142,202	-17,143	-12.1
Total interest income using the effective interest method	602,537	686,407	-83,870	-12.2
Dividend income on financial investments	20,991	1,811	19,180	-
Interest income on trading portfolios	-76,158	19,276	-95,434	-
Dividend income on trading portfolios	186,857	229,678	-42,821	-18.6
Total interest and dividend income	734,227	937,172	-202,945	-21.7
Interest expense	-30,960	205,327	-236,287	-
<i>of which negative interest</i>	-33,925	-26,862	-7,063	-26.3
Total interest expense using the effective interest method	-30,960	205,327	-236,287	-
Total	765,187	731,845	33,342	4.6

Negative interest related to assets is recognised in interest income as a reduction of the interest income. Negative interest related to liabilities is recognised in interest expense as a reduction of the interest expense.

NOTE 2 RESULT ON TRADING ACTIVITIES AND THE FAIR VALUE OPTION

	2021 CHF 1,000	2020 CHF 1,000	Change CHF 1,000	Change %
Debt instruments	-8,683	-83,169	74,486	-89.6
Equity instruments	217,588	132,746	84,842	63.9
Foreign exchange	461,695	637,340	-175,645	-27.6
Total	670,600	686,917	-16,317	-2.4

In each case, the item includes results from trading in the corresponding derivative instruments.

NOTE 3 PERSONNEL EXPENSES

	2021 CHF 1,000	2020 CHF 1,000	Change CHF 1,000	Change %
Salaries and bonuses	973,938	958,664	15,274	1.6
Contributions to retirement plans (defined benefits)	75,769	82,633	-6,864	-8.3
Contributions to staff pension plans (defined contributions)	23,353	20,809	2,544	12.2
Change in net defined pension plans liability	-86,086	-54,606	-31,480	57.6
Other social security contributions	74,010	69,197	4,813	7.0
Share-based payments	63,145	52,495	10,650	20.3
Other personnel expenses	19,764	18,141	1,623	8.9
Total	1,143,893	1,147,333	-3,440	-0.3

NOTE 4 GENERAL EXPENSES

	2021 CHF 1,000	2020 CHF 1,000	Change CHF 1,000	Change %
Occupancy expense	63,927	62,876	1,051	1.7
IT and other equipment expense	75,826	77,808	-1,982	-2.5
Information, communication and advertising expense	140,359	130,324	10,035	7.7
Service expense, fees and taxes	393,396	386,741	6,655	1.7
<i>of which fees of audit firm</i>				
- Audit fees	3,373	3,571	-198	-5.5
- Other fees	1,133	1,353	-220	-16.3
Other general expenses	402	657	-255	-38.8
Total	673,910	658,406	15,504	2.4

NOTE 5 PROVISIONS AND LOSSES

	2021 CHF 1,000	2020 CHF 1,000	Change CHF 1,000	Change %
Operating losses	6,971	6,950	21	0.3
Provision legal risks	56,167	73,567	-17,400	-23.7
Total	63,138	80,517	-17,379	-21.6

NOTE 6 TAXES

	2021 CHF 1,000	2020 CHF 1,000	Change CHF 1,000	Change %
Income taxes	150,466	118,968	31,498	26.5
Capital taxes	4,468	3,800	668	17.6
Total	154,934	122,768	32,166	26.2

On a total of CHF 889.9 million (2020: CHF 677.7 million) of net profit before taxes, Bank Julius Baer & Co. Ltd. recognised CHF 154.9 million (2020: CHF 122.8 million) of taxes which leads to an effective tax rate of 17.4% (2020: 18.1%).

NOTE 7 SECURITIES TRANSACTIONS

	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000	Change CHF 1,000	Change %
Receivables				
Receivables from cash collateral provided in securities borrowing transactions	-	6,210	-6,210	-100.0
Receivables from cash collateral provided in reverse repurchase transactions	24,140	1,257,988	-1,233,848	-98.1
Total	24,140	1,264,198	-1,240,058	-98.1

Obligations

Obligations to return cash collateral received in securities lending transactions	60,038	252,112	-192,074	-76.2
Obligations to return cash collateral received in repurchase transactions	296,861	82,498	214,363	259.8
Total	356,899	334,610	22,289	6.7

Securities collateral

Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	2,411,360	1,092,179	1,319,181	120.8
<i>of which securities the right to pledge or sell has been granted without restriction</i>	<i>2,411,360</i>	<i>1,092,179</i>	<i>1,319,181</i>	<i>120.8</i>
<i>of which recognised in trading assets</i>	<i>2,411,056</i>	<i>952,753</i>	<i>1,458,303</i>	<i>153.1</i>
<i>of which recognised in financial investments</i>	<i>304</i>	<i>139,426</i>	<i>-139,122</i>	<i>-99.8</i>
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	5,792,737	4,267,602	1,525,135	35.7
<i>of which repledged</i>	<i>5,093,145</i>	<i>3,241,645</i>	<i>1,851,500</i>	<i>57.1</i>
<i>of which resold</i>	<i>268,642</i>	<i>460,283</i>	<i>-191,641</i>	<i>-41.6</i>

NOTE 8 FINANCIAL INSTRUMENTS – EXPECTED CREDIT LOSSES

An entity is required to recognise expected credit losses at initial recognition of any financial instrument and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of the respective instruments. Refer to the comment on risk management/credit risk section and the summary of significant accounting policies for the relevant background information related to the recognition of expected credit losses.

Expected credit loss (ECL) stage allocation

Credit exposure is classified in one of the three ECL stages. At initial recognition, the Bank classifies all financial assets in stage 1, as it does not acquire or originate credit-impaired debt instruments. If a significant risk increase has occurred to the financial instrument, the instrument moves from stage 1 to stage 2. The threshold applied varies depending on the original credit quality of the counterparty. For assets with lower default probabilities at origination due to good credit quality of the counterparty, the threshold for a significant increase in credit risk is set at a higher level than for assets with higher default probabilities at origination.

The Bank generally originates loans and balances due from banks in its internal rating classes R1–R4, which reflect balances with low to medium credit risk. The same applies to the investment grade debt instruments held for investment purposes, which are also classified as R1–R4. Therefore, the Bank determined that moves within these rating classes do not qualify for an increased credit risk, whereas a move from R4 to R5 generally triggers such a credit risk increase. Hence, under this approach, moves from R4 to a higher risk class (R5–R6) generally trigger a move from stage 1 ECL to stage 2 ECL. For example a counterparty moving from R1 to R2 would not trigger a significant increase in credit risk, whereas a counterparty moving from R1 to R5 would.

In addition, and to supplement this quantitative criterion, qualitative criteria based on other available internal data are applied to identify increased risk situations. These qualitative criteria are specific to the respective financial asset types (Lombard loans, mortgages, due from banks, debt instruments).

For example if payments are 30 days past due, the counterparty is moved to stage 2 and lifetime expected credit losses are applied.

The model is symmetric, meaning that if the transfer condition (significant increase) is no longer met, the counterparty is transferred back into the 12-month expected credit losses category (stage 1).

Financial instruments are credit-impaired and therefore recognised in stage 3 if they are classified in R7–R10 of the internal credit rating. These ratings are applied to positions with high credit risk; they are carried in the Bank's internal list of exposures which are in a loss position. Such positions show objective evidence of impairment and are referred to as defaulted. Generally, Lombard loans and mortgages are moved to these rating classes if the respective position is not fully covered anymore, i.e. the market value of the collateral is lower than the credit exposure, (critical) credit covenants are not complied with, or any payments are 90 days past due, to name some of the criteria.

ECL measurement

The Bank has modelled its impairment loss estimation methodology to quantify the impact of the expected credit losses on its financial statements for stage 1 ECL and stage 2 ECL. The four models (for the Lombard loans business, mortgages business, due from banks business and treasury business, respectively) are generally based on the specific financial instrument's probability of default (PD), its loss given default (LGD) and the exposure at default (EAD). These models have been tailored to the Bank's fully collateralised Lombard loans and mortgages, and the high-quality debt instruments in the treasury portfolio as outlined below.

For the credit-impaired financial assets in stage 3, the loss allowances are not measured based on a model, but determined individually according to the specific facts and circumstances.

Wherever the Bank uses scenarios in the ECL calculation process, three different settings are applied to take future market situations into account: a baseline, an upside and a downside

scenario. Expected probabilities are allocated to the respective scenario; the weightings used for the current year's ECL calculation are 70% for the baseline scenario, 15% for the downside scenario and 15% for the upside scenario. However, the calculation of the ECL is mostly driven by the downside scenario, whereas the baseline and upside scenarios have only limited impact on the measurement of the ECL due to the Bank's credit policy (fully collateralised portfolios). Therefore, an increase in the weighting of the downside scenario would consequently increase the ECL in stage 1 and stage 2.

To apply the expected future economic conditions in the models, the Bank determined the forecast world gross domestic product (GDP) as the main economic input factor for the expected credit losses on its financial asset portfolios, as the counterparties have fully collateralised Lombard loans or mortgages with the Bank or the portfolios consist of investment grade debt instruments. Other forward-looking main macroeconomic factors proved to be of lesser relevance for the Bank's portfolios as a whole. A decrease in the expected GDP would have a negative impact on the ECL in stage 1 and stage 2.

In addition, for each portfolio, supplementary product-specific factors are used as outlined in the following paragraphs. These scenario factors are based on the assessment of the credit department and the risk department for current and expected market developments in the respective product areas. These factors are updated and confirmed on a regular basis by the Bank's ECL committee, which comprises officers from the risk, credit risk and treasury departments.

Due from banks

For due-from-banks positions, the input factors are determined as follows:

Probability of Default: For amounts due from banks, publicly available PDs per rating class are applied, using the same PDs for stage 1 and stage 2, as the outstanding balances have a term of maximum 12 months. PDs for an expected life shorter than one year are derived from the available one-year PDs by linear reduction. The ratings and the related PDs are

shifted by one notch of the internal rating up and down, using publicly available data sources for the respective PDs. The three scenarios are weighted based on the generally applied probabilities.

Exposure at Default: For amounts due from banks, the EAD equals either the nominal value (money market issues, time accounts), or the carrying value (current and transactional accounts).

Loss Given Default: For amounts due from banks, an average LGD per rating class is applied. This factor is derived from publicly available data sources.

Lombard loans

For Lombard loans, the input factors are determined as follows:

Probability of Default: For Lombard loans, PD factors are derived from the Bank-internal 'margin call process' in Lombard lending. This process reflects internal procedures to avoid loan losses and is based on

- the probability that the credit position gets into a significant shortfall within one year;
- the probability that the credit position becomes unsecured within 10 days; and
- the liquidation process to cover the exposure,

taking into consideration their respective probabilities.

This margin call process is simulated for each rating class (R1–R6) and for stage 1 and stage 2 separately. The resulting PDs are then applied uniformly across all counterparties and related Lombard loans in the respective rating class.

Exposure at Default: For Lombard loans, the EAD equals the higher of a) the current exposure (based on data from the internal credit supervision system comprising the following credit exposures: cash exposure, derivative exposure, contingent liabilities and reservations); and b) the lower of the lending value or approved limit. The Bank therefore assumes the highest possible risk (i.e. the highest outstanding) in determining the EAD, including any unused credit commitments. Consequently, even if no exposure is drawn under the limit, an ECL is calculated.

Loss Given Default: For Lombard loans the LGDs are formula-based, including the market value of the collateral on a client pledge Bank level. Scenario calculations on the market value of the collateral are performed, resulting in different LGDs per scenario. Three scenarios (base, up and down), including the probability of the respective scenario, are applied in the process.

Mortgages

For mortgages, the input factors are determined as follows:

Probability of Default: For mortgages, the PD factor is specifically determined for each counterparty and the related property based on the following input criteria:

- economic area of the counterparty domicile;
- counterparty domicile and property location (country) is the same;
- sufficient assets/collateral within the Bank to pay interest/amortisation;
- counterparty self-used versus rented-out real estate; and
- stage 1 or stage 2.

For each of these criteria, fixed parameters are determined (based on experience) which then add up to the mortgage counterparty-specific PD factors. These criteria have been selected as it is assumed that they influence directly the default behaviour of the counterparty behind the mortgages.

Exposure at Default: For mortgages, the carrying value (exposure) equals the EAD.

Loss Given Default: For mortgages, the LGD is based on scenario calculations on the market value of the real estate collateral and other pledged assets, which is then set in relation to the loan amount (Loan-to-Value ratio; LTV). Three scenarios (base, up and down), including the probability of the respective scenario, are applied in the process. However, instead of applying a fixed percentage for the negative scenario to all real estate uniformly,

the negative scenario is based on the combination of a base factor and additional penalties depending on the following real estate specific criteria:

- property location (country/region);
- property size as a function of the property market value;
- property type (e.g. residential, office, commercial); and
- holiday home regions.

For each of these criteria, fixed parameters (based on experience) are determined which then add up to the mortgage-specific negative scenario. These criteria are selected as the resulting different characteristics of the real estate market generally respond differently to market fluctuations and hence the achievable collateral liquidation value. The total simulated market value is then compared with the exposure to determine the LGD.

Treasury portfolio

For the treasury portfolio (debt instruments measured at LOCOM), the input factors are determined as follows:

Probability of Default: For financial instruments in the treasury portfolio (debt securities, including money market instruments), publicly available PDs per rating class are applied, separately for stage 1 (one-year PD or shorter) and stage 2 (respective PD according to expected life). These ratings and the related PDs are shifted by two notches up and down, using publicly available data sources for the respective PDs. The three scenarios are then weighted based on the generally applied probabilities. PDs for an expected life shorter than one year are derived from the available one-year PDs by linear reduction.

Exposure at Default: For debt instruments, the EAD equals the amortised cost value plus discounted outstanding interest payments.

Loss given Default: For the debt instruments, an average LGD per rating class is applied. These factors are derived from publicly available data sources.

Credit quality analysis

The following tables provide an analysis of the Bank's exposure to credit risk by credit quality and expected credit loss stage; they are based on the Bank's internal credit systems.

Exposure to credit risk by credit quality

					31.12.2021
	Moody's rating	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	Total CHF m
Due from banks, at amortised cost					
R1–R4: Low to medium risk		4,998.0	-	-	4,998.0
R5–R6: Increased risk		79.4	-	-	79.4
R7–R10: Impaired		-	-	-	-
Total		5,077.4	-	-	5,077.4
Loss allowance		-0.1	-	-	-0.1
Carrying amount		5,077.3	-	-	5,077.3
Due from customers, at amortised cost					
R1–R4: Low to medium risk		38,773.2	30.1	-	38,803.3
R5–R6: Increased risk		1,290.2	200.4	-	1,490.6
R7–R10: Impaired		-	-	125.7	125.7
Total		40,063.4	230.5	125.7	40,419.6
Loss allowance		-4.9	-0.1	-85.1	-90.1
Carrying amount		40,058.5	230.4	40.6	40,329.5
Mortgages, at amortised cost					
R1–R4: Low to medium risk		5,647.0	346.4	-	5,993.4
R5–R6: Increased risk		1.8	34.6	-	36.4
R7–R10: Impaired		-	-	30.6	30.6
Total		5,648.8	381.0	30.6	6,060.4
Loss allowance		-0.6	-0.1	-0.8	-1.5
Carrying amount		5,648.2	380.9	29.8	6,058.9
Financial investments (debt instruments)					
R1–R4: Low to medium risk	Aaa – Baa3	12,794.7	-	-	12,794.7
R5–R6: Increased risk	Ba1 – B3	-	-	-	-
R7–R10: Impaired	Caa1 – C	45.5	-	-	45.5
Carrying amount		12,840.2	-	-	12,840.2
Loss allowance		-1.3	-	-	-1.3

31.12.2020

	Moody's rating	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	Total CHF m
Due from banks, at amortised cost					
R1–R4: Low to medium risk		5,567.0	-	-	5,567.0
R5–R6: Increased risk		427.1	-	-	427.1
R7–R10: Impaired		-	-	-	-
Total		5,994.1	-	-	5,994.1
Loss allowance		-0.1	-	-	-0.1
Carrying amount		5,994.0	-	-	5,994.0
Due from customers, at amortised cost					
R1–R4: Low to medium risk		34,908.4	25.4	-	34,933.8
R5–R6: Increased risk		1,741.3	207.1	-	1,948.4
R7–R10: Impaired		-	-	93.1	93.1
Total		36,649.7	232.5	93.1	36,975.3
Loss allowance		-2.5	-0.3	-77.4	-80.2
Carrying amount		36,647.2	232.2	15.7	36,895.1
Mortgages, at amortised cost					
R1–R4: Low to medium risk		6,110.2	306.6	-	6,416.8
R5–R6: Increased risk		16.2	20.2	-	36.4
R7–R10: Impaired		-	-	28.5	28.5
Total		6,126.4	326.8	28.5	6,481.7
Loss allowance		-1.0	-0.1	-2.7	-3.8
Carrying amount		6,125.4	326.7	25.8	6,477.9
Financial investments (debt instruments)					
R1–R4: Low to medium risk	Aaa – Baa3	13,249.2	-	-	13,249.2
R5–R6: Increased risk	Ba1 – B3	-	-	-	-
R7–R10: Impaired	Caa1 – C	-	-	-	-
Carrying amount		13,249.2	-	-	13,249.2
Loss allowance		-1.8	-	-	-1.8

The macroeconomic scenarios used in the ECL calculation models have been reviewed in the light of the ongoing challenging economic environment and the related uncertainty due to COVID-19. The growth assumption (based on the gross domestic products) used in the baseline scenario has been adjusted for year-end reporting 2021, resulting in a positive forecast again for the coming periods. The other input factors applied in the ECL calculation models did not have to be adjusted, as they proved to be reliable and robust. Likewise, the models used for the ECL calculation have not been modified due to the pandemic.

The ECL calculations did not reveal any material losses to be recognised for year-end reporting 2021.

However, as the significant uncertainty regarding the development of the macroeconomic situation persists, the input factors used in the ECL models are monitored on an ongoing basis and may have to be adjusted further in the next reporting periods.

Expected credit losses

The following tables present the development of the Bank's expected credit losses by stage; they are based on the Bank's internal credit systems:

	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	Total CHF m
Due from banks, at amortised cost				
Balance at 1 January 2021	0.1	-	-	0.1
Net remeasurement of loss allowance	-0.0	-	-	-0.0
New/increase financial assets	0.1	-	-	0.1
Financial assets that have been derecognised	-0.1	-	-	-0.1
Changes in models/risk parameters	-0.0	-	-	-0.0
Balance at 31 December 2021	0.1	-	-	0.1

Due from customers, at amortised cost

Balance at 1 January 2021	2.5	0.3	77.4	80.2
Transfer to/(from) 12-month ECL	0.2	-0.2	-	-
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	0.0	-
Transfer to/(from) lifetime ECL credit-impaired	-0.0	-0.0	0.0	-
Net remeasurement of loss allowance	-1.8	-0.1	0.8	-1.1
New/increase financial assets	4.6	0.0	5.1 ¹	9.7
Financial assets that have been derecognised	-0.5	-0.0	-0.0	-0.5
Write-offs	-	-	-1.8	-1.8
Changes in models/risk parameters	-0.1	0.0	0.0	-0.1
Foreign exchange and other movements	-	-	3.7	3.7
Balance at 31 December 2021	4.9	0.0	85.2	90.1

Mortgages, at amortised cost

Balance at 1 January 2021	1.0	0.1	2.7	3.8
Net remeasurement of loss allowance	0.1	-	2.7	2.8
New/increase financial assets	0.4	0.1	-	0.5
Financial assets that have been derecognised	-0.9	-0.1	-2.7	-3.7
Changes in models/risk parameters	0.0	-	-	0.0
Foreign exchange and other movements	-	-	-1.9	-1.9
Balance at 31 December 2021	0.6	0.1	0.8	1.5

¹ Including outstanding accumulated interest.

	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	Total CHF m
Financial investments (debt instruments)				
Balance at 1 January 2021	1.8	-	-	1.8
Net remeasurement of loss allowance	-0.1	-	-	-0.1
New financial assets purchased	0.3	-	-	0.3
Financial assets that have been derecognised	-0.7	-	-	-0.7
Changes in models/risk parameters	-0.0	-	-	-0.0
Foreign exchange and other movements	-0.0	-	-	-0.0
Balance at 31 December 2021	1.3	-	-	1.3

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	12-month ECL (Stage 1) CHF m	Lifetime ECL not credit-impaired (Stage 2) CHF m	Lifetime ECL credit-impaired (Stage 3) CHF m	Total CHF m
Due from banks, at amortised cost				
Balance at 1 January 2020	0.2	-	-	0.2
Net remeasurement of loss allowance	-0.0	-	-	-0.0
New/increase financial assets	0.0	-	-	0.0
Financial assets that have been derecognised	-0.1	-	-	-0.1
Changes in models/risk parameters	0.0	-	-	0.0
Balance at 31 December 2020	0.1	-	-	0.1
Due from customers, at amortised cost				
Balance at 1 January 2020	4.5	0.4	40.3	45.2
Transfer to/(from) 12-month ECL	0.0	-0.0	-	-
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	-	-
Transfer to/(from) lifetime ECL credit-impaired	-0.0	-	0.0	-
Net remeasurement of loss allowance	-21.4	0.0	47.2	25.8
New/increase financial assets	22.1	0.2	6.0 ¹	28.3
Financial assets that have been derecognised	-2.5	-0.3	-8.3	-11.1
Write-offs	-	-	-0.9	-0.9
Changes in models/risk parameters	-0.2	-0.0	-0.0	-0.2
Foreign exchange and other movements	-	-	-6.9	-6.9
Balance at 31 December 2020	2.5	0.3	77.4	80.2
Mortgages, at amortised cost				
Balance at 1 January 2020	0.6	0.5	2.7	3.8
Transfer to/(from) lifetime ECL not credit-impaired	-0.0	0.0	-	-
Net remeasurement of loss allowance	-0.1	0.0	2.2	2.1
New/increase financial assets	0.9	0.1	-	1.0
Financial assets that have been derecognised	-0.3	-0.5	-2.2	-3.0
Write-offs	-	-	-	-
Changes in models/risk parameters	-0.1	0.0	-	-0.1
Balance at 31 December 2020	1.0	0.1	2.7	3.8
Financial investments (debt instruments)				
Balance at 1 January 2020	1.2	0.1	-	1.3
Net remeasurement of loss allowance	-0.2	-	-	-0.2
New financial assets purchased	1.3	-	-	1.3
Financial assets that have been derecognised	-0.5	-0.1	-	-0.6
Changes in models/risk parameters	-0.0	-	-	-0.0
Foreign exchange and other movements	-0.0	-	-	-0.0
Balance at 31 December 2020	1.8	-	-	1.8

¹ Including outstanding accumulated interest.

NOTE 9 LISTING OF COLLATERAL

	Type of collateral			Total CHF 1,000
	Mortgage collateral CHF 1,000	Other collateral CHF 1,000	Without collateral CHF 1,000	
Balance sheet items¹				
Due from banks	-	3,391,893	1,685,580	5,077,473
Due from customers	13,300	39,683,881	722,387	40,419,568
Mortgages	6,056,042	3,481	954	6,060,477
<i>of which residential real estate</i>	<i>5,448,956</i>	<i>-</i>	<i>-</i>	<i>5,448,956</i>
<i>of which office and business premises</i>	<i>150,326</i>	<i>-</i>	<i>-</i>	<i>150,326</i>
<i>of which trade and industrial property</i>	<i>456,760</i>	<i>-</i>	<i>-</i>	<i>456,760</i>
<i>of which other</i>	<i>-</i>	<i>3,481</i>	<i>954</i>	<i>4,435</i>
Total gross balance sheet items 31.12.2021	6,069,342	43,079,255	2,408,921	51,557,518
Total gross balance sheet items 31.12.2020	6,477,388	39,560,720	3,412,945	49,451,053

¹ The amounts presented in this table are gross of loss allowances and therefore not comparable to the net amounts in the balance sheet.

Off-balance sheet items

Contingent liabilities	-	1,196,389	13,416	1,209,805
Irrevocable commitments	-	231,589	186,004	417,593
Total off-balance sheet items 31.12.2021	-	1,427,978	199,420	1,627,398
Total off-balance sheet items 31.12.2020	-	1,345,912	197,099	1,543,011

	Gross claims CHF 1,000	Estimated proceeds from liquidation of collateral CHF 1,000	Net claims CHF 1,000	Loss allowances CHF 1,000
Impaired receivables 31.12.2021	151,549	65,382	86,167	85,909
Impaired receivables 31.12.2020	119,598	39,466	80,132	80,084

NOTE 10 TRADING PORTFOLIOS

	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000	Change CHF 1,000	Change %
Trading assets				
Debt instruments	3,263,789	3,397,877	-134,088	-3.9
<i>of which quoted</i>	2,135,984	2,664,756	-528,772	-19.8
<i>of which unquoted</i>	1,127,805	733,121	394,684	53.8
Equity instruments	11,417,388	10,155,654	1,261,734	12.4
<i>of which quoted</i>	9,180,085	8,223,052	957,033	11.6
<i>of which unquoted</i>	2,237,303	1,932,602	304,701	15.8
Precious metals	4,108,107	4,288,105	-179,998	-4.2
Total	18,789,284	17,841,636	947,648	5.3
<i>of which measurement is based on a valuation model</i>	7,056,651	6,473,273	583,378	9.0
<i>of which repo-eligible securities</i>	5,040	10,837	-5,797	-53.5
Trading liabilities				
Short positions - debt	174,040	239,512	-65,472	-27.3
<i>of which quoted</i>	133,060	222,110	-89,050	-40.1
<i>of which unquoted</i>	40,980	17,402	23,578	135.5
Short positions - equity	575,499	657,008	-81,509	-12.4
<i>of which quoted</i>	548,269	626,284	-78,015	-12.5
<i>of which unquoted</i>	27,230	30,724	-3,494	-11.4
Total	749,539	896,520	-146,981	-16.4
<i>of which measurement is based on a valuation model</i>	68,614	53,238	15,376	28.9

NOTE 11 FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE

	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000	Change CHF 1,000	Change %
Financial assets designated at fair value				
Financial investments	306,895	252,178	54,717	21.7
<i>of which private equity</i>	187,739	178,903	8,836	4.9
<i>of which funds</i>	119,156	73,275	45,881	62.6
Total	306,895	252,178	54,717	21.7
<i>of which measurement is based on a valuation model</i>	284,809	243,643	41,166	16.9
Financial liabilities designated at fair value				
Issued certificates	2,506,829	2,060,696	446,133	21.6
<i>of which interest instruments</i>	144,034	279,553	-135,519	-48.5
<i>of which equity instruments</i>	2,362,795	1,781,143	581,652	32.7
Structured products	11,952,159	11,090,052	862,107	7.8
<i>of which interest instruments</i>	9,028,628	8,278,434	750,194	9.1
<i>of which equity instruments</i>	1,659,939	1,620,529	39,410	2.4
<i>of which foreign exchange instruments</i>	1,263,592	1,191,089	72,503	6.1
Total	14,458,988	13,150,748	1,308,240	9.9
<i>of which measurement is based on a valuation model</i>	14,458,988	13,150,748	1,308,240	9.9

NOTE 12A DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives held for trading

	31.12.2021			31.12.2020		
	Positive replacement value CHF m	Negative replacement value CHF m	Contract volume CHF m	Positive replacement value CHF m	Negative replacement value CHF m	Contract volume CHF m
Interest rate derivatives						
Swaps	119.4	131.0	38,266.9	131.5	167.9	22,735.0
Futures	0.9	0.7	466.1	1.2	0.1	210.8
Options (OTC)	8.0	8.0	216.3	10.9	9.4	260.8
Total	128.3	139.7	38,949.3	143.6	177.4	23,206.6
Foreign exchange derivatives						
Forward contracts	663.8	846.2	107,655.6	753.6	1,055.6	95,263.1
Combined interest rate/currency swaps	0.7	7.3	173.6	2.3	20.3	909.6
Futures	0.9	0.4	183.4	-	4.8	249.4
Options (OTC)	185.7	130.5	19,435.6	290.9	244.9	26,634.2
Total	851.1	984.4	127,448.2	1,046.8	1,325.6	123,056.3
Precious metals derivatives						
Forward contracts	22.5	30.1	2,439.2	43.6	77.7	2,733.6
Futures	2.0	2.0	119.1	0.2	1.7	39.8
Options (OTC)	47.6	51.0	3,553.0	126.2	99.0	5,150.4
Options (traded)	-	30.3	1,063.8	-	56.1	1,611.2
Total	72.1	113.4	7,175.1	170.0	234.5	9,535.0
Equity/indices derivatives						
Futures	32.8	6.5	1,006.4	28.4	5.7	863.6
Options (OTC)	487.7	220.2	10,898.4	620.0	284.8	11,418.5
Options (traded)	481.9	1,139.4	25,811.0	536.4	632.7	19,414.9
Total	1,002.4	1,366.1	37,715.8	1,184.8	923.2	31,697.0
Credit derivatives						
Credit default swaps	0.1	0.5	83.5	0.2	1.3	110.1
Total return swaps	29.8	48.1	1,385.2	11.0	35.3	883.9
Total	29.9	48.6	1,468.7	11.2	36.6	994.0
Other derivatives						
Futures	3.9	2.6	325.2	0.2	0.8	64.5
Total	3.9	2.6	325.2	0.2	0.8	64.5
Total derivatives held for trading	2,087.7	2,654.8	213,082.3	2,556.6	2,698.1	188,553.4

Derivatives held for hedging

	31.12.2021			31.12.2020		
	Positive replacement value CHF m	Negative replacement value CHF m	Contract volume CHF m	Positive replacement value CHF m	Negative replacement value CHF m	Contract volume CHF m
Derivatives designated as fair value hedges						
Interest rate swaps	8.3	16.6	1,555.5	19.7	11.9	1,184.3
Derivatives designated as cash flow hedges						
Interest rate swaps	-	8.9	544.9	-	-	-
Foreign exchange derivatives	1.0	1.1	464.7	-	-	-
Total derivatives held for hedging	9.3	26.6	2,565.1	19.7	11.9	1,184.3
Total derivative financial instruments	2,097.0	2,681.4	215,647.4	2,576.3	2,710.0	189,737.7

	Positive replacement value CHF m	Negative replacement value CHF m	Contract volume CHF m	Positive replacement value CHF m	Negative replacement value CHF m	Contract volume CHF m
Analysis according to remaining life						
up to 12 months	1,604.0	2,139.5	194,665.0	2,078.4	2,193.5	169,275.6
1 to 5 years	443.0	480.6	19,360.4	426.8	432.1	19,167.8
over 5 years	50.0	61.3	1,622.0	71.1	84.4	1,294.3
Total	2,097.0	2,681.4	215,647.4	2,576.3	2,710.0	189,737.7
<i>of which measurement is based on a valuation model</i>	2,056.6	2,669.2		2,546.2	2,696.9	
<i>after netting</i>	2,097.0	2,681.4		2,576.3	2,710.0	

	31.12.2021			31.12.2020		
	Central clearing houses CHF m	Banks and brokers CHF m	Other clients CHF m	Central clearing houses CHF m	Banks and brokers CHF m	Other clients CHF m
After netting						
Positive replacement value after netting	489.8	804.0	803.2	545.4	990.9	1,040.0
Total	489.8	804.0	803.2	545.4	990.9	1,040.0

NOTE 12B HEDGE ACCOUNTING

Fair value hedges of interest rate risk

The Bank hedges part of its interest rate exposure from fixed rate CHF denominated mortgages to changes in fair value by using interest rate swaps on a portfolio basis. Such portfolio hedges are based on mortgages with similar maturities and the hedge relationships are rebalanced on a monthly basis. The amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses are amortised over the remaining terms to maturity of the hedged items using the straight-line method.

In addition, different interest rate swaps are used to hedge the interest rate risks of some of the time deposits of the Bank which are denominated in USD, CHF or SGD, as well as a very limited number of mortgages. The fixed legs of these swaps are in correspondence to the respective (fixed rate) time deposits and mortgages. As such, the interest rate risk of each asset is substantially reduced to the interest rate risk of the floating rate leg of the respective swap.

The counterparties of the swaps transactions used for portfolio hedges as well as those used for the single hedges are investment-grade counterparties. However, the Bank does not incur any credit risk with these derivative instruments as all credit risk is eliminated due to clearing or collateral agreements in place. Prior to committing to a hedge relationship, an assessment takes place in order to justify that the fair value of the hedged item and the hedging instrument do offset their interest rate risks and that the economic hedge relationships meet the hedge accounting criteria. Besides this qualitative assessment, regular quantitative assessments are carried out based on prospective (i.e. forward looking, using regression analysis) as well as retrospective effectiveness tests. These tests allow assessing whether the hedging instrument is expected to be or has been highly effective in offsetting changes in the fair value of the hedged item. Hedge ineffectiveness may arise from minor differences in the core data of the time deposits and swap fixed leg, or the interest rate sensitivities of the floating leg of the swap.

	Hedges of time deposits (single hedges) CHF m	Hedges of mortgages (single hedges) CHF m	31.12.2021 Hedges of mortgages (portfolio hedges) CHF m
Hedged items			
Amortised cost value	1,127.4	20.2	399.1
Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged item	3.8	-	25.2
Carrying amount hedged items	1,131.2	20.2	424.3
Hedging instruments - interest rate swaps			
Notional amount (overall average fixed interest rate: 0.80%)	1,127.5		
- whereof remaining maturity <1 year (average fixed interest rate: 1.83%)	217.6		
- whereof remaining maturity 1–5 years (average fixed interest rate: 0.9%)	649.9		
- whereof remaining maturity > 5 years (average fixed interest rate: -0.33%)	260.0		
Notional amount (overall average fixed interest rate: -0.31%)		18.0	
- whereof remaining maturity > 5 years (average fixed interest rate: -0.31%)		18.0	
Notional amount (overall average fixed interest rate: 0.77%)			410.0
- whereof remaining maturity < 1 year (average fixed interest rate: 0.90%)			220.0
- whereof remaining maturity 1–5 years (average fixed interest rate: 0.68%)			190.0
Positive replacement value	7.8	0.5	- ¹
- related notional amount	554.3	18.0	-
Negative replacement value	-12.1	-	-4.5 ¹
- related notional amount	573.1	-	410.0
Hedge effectiveness testing and related ineffectiveness			
Change in fair value of hedged item used for calculation of hedge ineffectiveness	3.8	-	-1.0
Change in fair value of interest rate swaps used for calculation of hedge ineffectiveness	-4.3	0.5	0.7 ¹
Amount of hedge ineffectiveness recognised in the income statement	-0.5	0.5	-0.3
Termination of hedge relationship			
Accumulated amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses	-	-	25.4

¹ The change in fair value of the interest rate swaps used for the calculation of the hedge effectiveness for the portfolio hedges reflects the changes in the fair value of the latest hedge period only, whereas the sum of the positive and negative replacement values reflects the differences in fair values of the interest rate swaps between inception and reporting date.

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	Hedges of time deposits (single hedges) CHF m	Hedges of mortgages (single hedges) CHF m	31.12.2020 Hedges of mortgages (portfolio hedges) CHF m
Hedged items			
Amortised cost value	635.1	20.4	526.0
Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged item	18.9	0.8	35.6
Carrying amount hedged items	654.0	21.2	561.6
Hedging instruments - interest rate swaps			
Notional amount (overall average fixed interest rate: 1.31%)	636.3		
- <i>whereof remaining maturity 1–5 years (average fixed interest rate: 1.48%)</i>	548.0		
- <i>whereof remaining maturity > 5 years (average fixed interest rate: 0.3%)</i>	88.4		
Notional amount (overall average fixed interest rate: -0.31%)		18.0	
- <i>whereof remaining maturity > 5 years (average fixed interest rate: -0.31%)</i>		18.0	
Notional amount (overall average fixed interest rate: 0.57%)			530.0
- <i>whereof remaining maturity < 1 year (average fixed interest rate: -0.09%)</i>			120.0
- <i>whereof remaining maturity 1–5 years (average fixed interest rate: 0.77%)</i>			410.0
- <i>whereof remaining maturity > 5 years (average fixed interest rate: -0.25%)</i>			-
Positive replacement value	19.7	-	- ¹
- <i>related notional amount</i>	548.0	-	-
Negative replacement value	-0.3	-0.1	-11.5 ¹
- <i>related notional amount</i>	88.4	18.0	530.0
Hedge effectiveness testing and related ineffectiveness			
Change in fair value of hedged item used for calculation of hedge ineffectiveness	-18.9	0.8	-0.7
Change in fair value of interest rate swaps used for calculation of hedge ineffectiveness	19.4	-0.1	0.6 ¹
Amount of hedge ineffectiveness recognised in the income statement	0.5	0.7	-0.1
Termination of hedge relationship			
Accumulated amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses	-	-	36.3

¹ The change in fair value of the interest rate swaps used for the calculation of the hedge effectiveness for the portfolio hedges reflects the changes in the fair value of the latest hedge period only, whereas the sum of the positive and negative replacement values reflects the differences in fair values of the interest rate swaps between inception and reporting date.

Cash flow hedges

As of 2021, the Bank started to apply cash flow hedge accounting to protect its recurring fees in foreign currencies. These fees represent an FX transaction risk for the Bank, as the Bank charges the clients for their fees based on the currency mix of the assets on a quarterly basis; hence, the forward-looking FX hedge transaction has the risk objective to protect the Bank's earnings from changes in the CHF (the functional currency of the Bank) against the respective currency of the fee charged. The Bank uses zero cost risk reversal (or collar) structures consisting of puts and calls; maturity of the hedges is on the same day as the hedged item (fees in foreign currency) are charged to the clients.

The effectiveness of the hedges is measured on the monthly change of the intrinsic value of the option against the FX spot moves of the hedged item. The monthly change of the intrinsic value of the options will be booked to OCI¹ as hedge result as long as the hedge is effective. The time value of the option is allocated to the income statement over the life time of the option. A possible ineffective portion of the hedge is also recognised in the income statement.

In addition, the Bank uses longer-term interest rate swaps to hedge the variability of future interest rate payments on selected Lombard loans with short maturities (and roll-over assumption). These loans share the same currency and type of risk.

The following table relates to the derivatives (FX options, interest rate swaps) used for the cash flow hedges and the related amounts recognised in OCI¹ and income statement:

	31.12.2021	
	Interest rate hedges CHF m	FX hedges CHF m
Hedging instrument – Derivatives		
Positive replacement value of derivatives	-	1.0
Negative replacement values of derivatives	8.9	1.1
Nominal value of derivatives	544.9	464.7
Amounts recognised in OCI¹		
OCI on cash flow hedges	-8.7	-
Amounts recognised in the income statement		
Hedge ineffectiveness recognised in net income from financial instruments measured at FVTPL	-0.2	-
Amortisation of time value of the derivatives into income statement	-	-

¹ Under Swiss GAAP, direct bookings into equity are not allowed; therefore, such amounts are instead recognised in the settlement account which is part of other assets/other liabilities.

NOTE 13A FINANCIAL INVESTMENTS

	31.12.2021 Carrying value CHF 1,000	31.12.2020 Carrying value CHF 1,000	31.12.2021 Fair value CHF 1,000	31.12.2020 Fair value CHF 1,000
Government and agency bonds	4,423,579	4,226,945	4,430,719	4,254,605
Financial institution bonds	5,206,988	5,204,675	5,232,362	5,261,375
Corporate bonds	3,208,329	3,815,788	3,229,143	3,864,687
Debt instruments	12,838,896	13,247,408	12,892,224	13,380,667
<i>of which quoted</i>	<i>8,787,572</i>	<i>8,785,711</i>	<i>8,831,959</i>	<i>8,903,652</i>
<i>of which unquoted</i>	<i>4,051,324</i>	<i>4,461,697</i>	<i>4,060,265</i>	<i>4,477,015</i>
<i>of which valued at lower of cost or fair value</i>	<i>12,838,896</i>	<i>13,247,408</i>	<i>12,892,224</i>	<i>13,380,667</i>
Equity instruments	114,170	81,477	339,294	272,346
<i>of which unquoted</i>	<i>114,170</i>	<i>81,477</i>	<i>339,294</i>	<i>272,346</i>
Total	12,953,066	13,328,885	13,231,518	13,653,013
<i>of which repo-eligible securities</i>	<i>645,488</i>	<i>696,349</i>		

NOTE 13B FINANCIAL INVESTMENTS – CREDIT RATINGS

			31.12.2021 CHF 1,000	31.12.2020 CHF 1,000	Change CHF 1,000
Debt instruments by the Bank's credit rating classes	Fitch, S&P	Moody's			
1-2	AAA – AA-	Aaa – Aa3	8,827,580	7,817,274	1,010,306
3	A+ – A-	A1 – A3	3,674,535	4,974,763	-1,300,228
4	BBB+ – BBB-	Baa1 – Baa3	291,267	455,371	-164,104
Unrated			45,514	-	45,514
Total			12,838,896	13,247,408	-408,512

NOTE 14 GOODWILL, INTANGIBLE ASSETS AND TANGIBLE FIXED ASSETS

	Goodwill CHF 1,000	Customer relationships CHF 1,000	Total intangible assets CHF 1,000	Bank premises CHF 1,000	Software CHF 1,000	Other tangible fixed assets CHF 1,000	Total tangible fixed assets CHF 1,000
Historical cost							
Balance on 01.01.2020	1,516,085	1,389,192	2,905,277	361,273	1,004,651	180,961	1,546,885
Additions	-	-	-	4,800	149,869	15,723	170,392
Disposals/transfers ¹	-	-	-	-	56,797	26,417	83,214
Balance on 31.12.2020	1,516,085	1,389,192	2,905,277	366,073	1,097,723	170,267	1,634,063
Additions	-	-	-	6,251	168,007	13,344	187,602
Disposals/transfers ¹	-	-	-	-	65,982	44,801	110,783
Balance on 31.12.2021	1,516,085	1,389,192	2,905,277	372,324	1,199,748	138,810	1,710,882
Depreciation and amortisation							
Balance on 01.01.2020	1,051,763	1,220,206	2,271,969	129,689	435,108	142,094	706,891
Charge for the period	74,608	56,675	131,283	7,995	76,905 ²	21,837 ²	106,737
Disposals/transfers ¹	-	-	-	-	56,797	26,417	83,214
Balance on 31.12.2020	1,126,371	1,276,881	2,403,252	137,684	455,216	137,514	730,414
Charge for the period	74,609	56,675	131,284	7,564	97,105 ³	17,048 ³	121,717
Disposals/transfers ¹	-	-	-	-	65,982	44,801	110,783
Balance on 31.12.2021	1,200,980	1,333,556	2,534,536	145,248	486,339	109,761	741,348
Carrying value							
Balance on 31.12.2020	389,714	112,311	502,025	228,389	642,507	32,753	903,649
Balance on 31.12.2021	315,105	55,636	370,741	227,076	713,409	29,049	969,534

¹ Includes derecognition of fully depreciated assets

² Includes impairment of CHF 7.8 million related to software and other property and equipment not used anymore

³ Includes impairment of CHF 14.5 million related to software and other property and equipment not used anymore

NOTE 15 OTHER ASSETS

	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000	Change CHF 1,000	Change %
Compensation account	24,120	17,688	6,432	36.4
Withholding taxes, VAT and other taxes	3,051,873	1,668,762	1,383,111	82.9
Other	196,216	384,809	-188,593	-49.0
Total	3,272,209	2,071,259	1,200,950	58.0

NOTE 16 OTHER LIABILITIES

	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000	Change CHF 1,000	Change %
Compensation account	1,803	14,755	-12,952	-87.8
Withholding taxes, VAT and other taxes	41,548	45,464	-3,916	-8.6
Other	94,605	166,715	-72,110	-43.3
Total	137,956	226,934	-88,978	-39.2

NOTE 17 ASSETS PLEDGED OR CEDED

	31.12.2021 Effective commitment CHF 1,000	31.12.2020 Effective commitment CHF 1,000	31.12.2021 Carrying value CHF 1,000	31.12.2020 Carrying value CHF 1,000
Securities	3,408,291	3,408,291	1,080,826	1,080,826
Other	15,624	15,624	10,892	10,892
Total	3,423,915	3,423,915	1,091,718	1,091,718

The assets are mainly pledged for Lombard limits at central banks, stock exchange securities deposits and collateral in OTC derivatives trading.

NOTE 18 DEBT ISSUED

	31.12.2021 <i>CHF 1,000</i>
Bonds	777,260
Total	777,260

Bonds

	Stated interest rate %		Currency	Notional amount <i>m</i>	31.12.2021 Carrying value <i>CHF 1,000</i>
Bank Julius Baer & Cie Ltd.					
2021 ¹	0.125	Senior unsecured bond	CHF	260.0	260,362
Bank Julius Baer & Cie Ltd.					
2021 ²	0.000	Senior unsecured bond	EUR	500.0	516,898
Total					777,260

¹ The effective interest rate amounts to 0.103%.

² The effective interest rate amounts to 0.092%.

Changes in debt issued

	31.12.2021 <i>CHF 1,000</i>
Balance at the beginning of the year	-
Changes from financing cash flows:	
– Proceeds from issuance of new bonds	806,945
Total changes from financing cash flows	806,945
Changes related to amortisation of premiums/discounts	205
Changes related to foreign exchange	-29,890
Balance at the end of the year	777,260

NOTE 19 PENSION PLANS

The Bank maintains various defined contribution and defined benefit pension plans in Switzerland and abroad. The pension plans in Switzerland have been set up on the basis of the Swiss method of defined contributions under the Swiss pension law. Employees and pensioners or their survivors receive statutorily determined benefits upon leaving the company or retiring as well as in the event of death or invalidity. These benefits are the result of the conversion rate applied on the accumulated balance of the individual plan participant's pension account at the retirement date. The accumulated balance equals the sum of the regular employer's and employees' contribution that have been made during the employment period, including the accrued interest on these amounts. However, these plans do not fulfil all the criteria of a defined contribution pension plan according to IAS 19 and are therefore treated as defined benefit pension plans for the purpose of the Bank's financial statements.

The pension obligations are largely covered through pension plan assets of pension funds that are legally separated and independent from the Bank. In case the plans become significantly underfunded over an extended time period according to the Swiss pension law basis, the Bank and the employees share the risk of additional payments into the pension fund. The pension funds are managed by a board of trustees consisting of representatives of the employees and the employer. Management of the pension funds includes the pursuit of a medium- and long-term consistency and sustainability between the pension plans' assets and liabilities, based on a diversified investment strategy correlating with the maturity of the pension obligations. The organisation, management, financing and investment strategy of the pension plans comply with the legal requirements, the foundation charters and the applicable pension regulations.

	2021 CHF 1,000	2020 CHF 1,000
1. Development of pension obligations and assets		
Present value of defined benefit obligation at the beginning of the year	-3,178,226	-3,090,290
Current service cost	-77,750	-79,059
Employees' contribution	-44,818	-44,499
Interest expense on defined benefit obligation	-6,469	-7,873
Past service cost, curtailments, settlements, plan amendments	4,633	-554
Benefits paid (incl. benefits paid directly by employer)	109,359	115,011
Transfer payments in/out	20	-567
Experience gains/(losses) on defined benefit obligation	-201,193	-30,043
Actuarial gains/(losses) arising from change in demographic assumptions	81,816	-
Actuarial gains/(losses) arising from change in financial assumptions	-41,897	-41,788
Translation differences	-601	1,436
Present value of defined obligation at the end of the year	-3,355,126	-3,178,226
<i>whereof due to active members</i>	-2,277,855	-2,106,676
<i>whereof due to deferred members</i>	-12,691	-14,703
<i>whereof due to pensioners</i>	-1,064,580	-1,056,847
Fair value of plan assets at the beginning of the year	3,096,134	2,953,207
Interest income on plan assets	6,361	7,615
Employees' contributions	44,818	44,499
Employer's contributions	95,755	96,932
Curtailments, settlements, plan amendments	-1,506	-1,730
Benefits paid by fund	-109,359	-115,011
Transfer payments in/out	-20	567
Administration cost (excluding asset management cost)	-1,038	-1,032
Return on plan assets (excl. interest income)	323,871	112,138
Translation differences	404	-1,051
Fair value of plan assets at the end of the year	3,455,420	3,096,134
	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000
2. Balance sheet		
Fair value of plan assets	3,455,420	3,096,134
Present value of funded obligation	-3,355,126	-3,178,226
Surplus (deficit)	100,294	-82,092
Effect of the asset ceiling	-96,497	-
Net defined benefit asset/(liability)	3,797	-82,092 ¹

¹ This amount has been recognised as a provision under Swiss GAAP (see Note 20).

	2021 CHF 1,000	2020 CHF 1,000
3. Income statement		
Current service cost (employer)	-77,750	-79,059
Interest expense on defined benefit obligation	-6,469	-7,873
Past service cost, curtailments, settlements, plan amendments	3,127	-2,284
Interest income on plan assets	6,361	7,615
Administration cost (excluding asset management cost)	-1,038	-1,032
Defined benefit cost recognised in the income statement	-75,769	-82,633
<i>whereof service cost</i>	-75,661	-82,375
<i>whereof net interest on the net defined benefit/(liability) asset</i>	-108	-258

	2021 CHF 1,000	2020 CHF 1,000
4. Movement in defined benefit liability		
Net defined benefit asset/(liability) at the beginning of the year	-82,092	-137,083
Translation differences	-197	385
Defined benefit cost recognised in the income statement	-75,769	-82,633
Employer's contributions	95,755	96,932
Remeasurements of the net defined benefit liability/(asset)	66,100	40,307
Amount recognised in the balance sheet	3,797	-82,092¹

	2021 CHF 1,000	2020 CHF 1,000
Remeasurements of the net defined benefit liability/(asset)		
Actuarial gains/(losses) of defined benefit obligation	-161,274	-71,831
Return on plan assets excl. interest income	323,871	112,138
Effect of asset ceiling	-96,497	-
Total recognised in other comprehensive income²	66,100	40,307

¹ This amount has been recognised as a provision under Swiss GAAP (see Note 20).

² This amount has been recognised in the income statement under Swiss GAAP.

	2021 CHF 1,000	2020 CHF 1,000
5. Composition of plan assets		
Cash	120,751	90,597
Debt instruments	860,308	866,248
Equity instruments	1,418,749	1,172,490
Real estate	625,486	541,247
Alternative instruments	424,525	420,050
Other	5,601	5,502
Total	3,455,420	3,096,134

	2021 in %	2020 in %
6. Aggregation of plan assets – quoted market prices in active markets		
Cash	3.49	2.93
Debt instruments	21.90	26.74
Equity instruments	41.06	37.87
Real estate	7.18	7.93
Other	5.62	6.10
Total	79.25	81.57

	2021 CHF 1,000	2020 CHF 1,000
7. Sensitivities		
Decrease of discount rate - 0.25%		
Effect on defined benefit obligation	-92,935	-99,140
Effect on service cost	-3,017	-3,560
Increase of discount rate + 0.25%		
Effect on defined benefit obligation	87,759	88,186
Effect on service cost	2,832	2,984
Decrease of salary increase - 0.25%		
Effect on defined benefit obligation	10,436	10,434
Effect on service cost	962	986
Increase of salary increase + 0.25%		
Effect on defined benefit obligation	-10,666	-10,669
Effect on service cost	-985	-1,010
Life expectancy		
Increase in longevity by one additional year	-80,362	-72,413

Actuarial calculation of pension assets and obligations

The latest actuarial calculation was carried out as at 31 December 2021. The actuarial assumptions are

based on local economic conditions and are as follows for Switzerland, which accounts for about 99% (2020: 99%) of all benefit obligations and plan assets:

	2021	2020
Discount rate	0.25%	0.20%
Average future salary increases	0.50%	0.50%
Future pension increases	0.00%	0.00%
Duration (years)	14	15

Investment in Julius Baer Group Ltd. shares

The pension plan assets are invested in accordance with local laws and do not include shares of Julius Baer Group Ltd.

Expected employer contributions

The expected employer contributions for the 2022 financial year related to defined benefit plans are estimated at CHF 90.0 million.

Outstanding liabilities to pension plans

The Bank had outstanding liabilities to various pension plans in the amount of CHF 4.3 million (2020: CHF 4.4 million).

Defined contribution pension plans

The Bank maintains a number of defined contribution pension plans outside. In the case of defined contribution pension plans, the pension expenses are charged to the income statement in the corresponding financial year. The expenses for contributions to these pension plans amounted to CHF 23.4 million for the 2021 financial year (2020: CHF 20.8 million).

NOTE 20 PROVISIONS

	Balance on 01.01.2021 CHF 1,000	Specific usage CHF 1,000	Currency differences CHF 1,000	New creation charged to income statement CHF 1,000	Reversals credited to income statement CHF 1,000	Balance on 31.12.2021 CHF 1,000
Pension obligations	82,092	-	-	-	82,092	-
Legal risks	88,863	74,503	1,680	57,190	1,023	72,207
Other	1,580	-	-	-	-	1,580
Total provisions	172,535	74,503	1,680	57,190	83,115	73,787

Introduction

The Bank operates in a legal and regulatory environment that exposes it to significant litigation, compliance, reputational and other risks arising from disputes and regulatory proceedings.

Non-compliance with regulatory requirements may result in regulatory authorities taking enforcement action or initiating criminal proceedings against the Bank and/or its employees. Possible sanctions could include the revocation of licences to operate certain businesses, the order to suspend or limit certain activities, the suspension or expulsion from a particular jurisdiction or market of any of the Bank's business organisations or their key personnel, the imposition of fines, the disgorgement of profit as well as claims for restitution, and censures on companies and employees with respective impact on the reputation of the Bank and its relation with clients, business partners and other stakeholders. In certain markets, authorities, such as regulatory or tax authorities, may determine that industry practices, e.g. regarding the provision of services, are or have become inconsistent with their interpretations of existing local and/or international laws and regulations. Also, from time to time, the Bank is and may be confronted with information and clarification requests, and procedures from authorities and other third parties (e.g. related to conflicting laws, sanctions, etc.) as well as with enforcement procedures relating to certain topics (such as environmental, social, governance or sustainability issues). As a matter of principle, the Bank cooperates with the competent authorities within the confines of applicable laws to clarify the situation while protecting its own and other stakeholders' interests.

The risks described below may not be the only risks to which the Bank is exposed. The additional risks not presently known, or risks and proceedings currently deemed immaterial, may also impair the Bank's future business, results of operations, financial condition and prospects. The materialisation of one or more of these risks may individually, or together with other circumstances, have a materially adverse impact on the Bank's business, results of operations, financial condition and prospects.

Legal proceedings/contingent liabilities

The Bank is involved in various legal, regulatory and administrative proceedings concerning matters arising within the course of normal business operations. The current business environment involves substantial legal and regulatory risks, the impact of which on the financial position or profitability of the Bank – depending on the status of related proceedings – is difficult to assess.

The Bank establishes provisions for pending and threatened legal proceedings if management is of the opinion that such proceedings are more likely than not to result in a financial obligation or loss, or if the dispute for economic reasons should be settled without acknowledgement of any liability on the part of the Bank and if the amount of such obligation or loss can already be reasonably estimated.

In cases in which the amount cannot be reasonably estimated due to the early stage of the proceedings, the complexity of the proceedings and/or other factors, no provision is recognised but the case is

recorded as a contingent liability, hereinafter as of 31 December 2021. The contingent liabilities may result in a materially adverse effect on the Bank or for other reasons may be of interest to investors and other stakeholders.

In 2010 and 2011, litigation was commenced against Bank Julius Baer & Co. Ltd. (the 'Bank') and numerous other financial institutions by the liquidators of the Fairfield funds (the 'Fairfield Liquidators'), which funds had served as feeder funds for the Madoff fraudulent investment schemes. In the direct claims against the Bank, the Fairfield Liquidators are seeking to recover a total amount of approximately USD 64 million in the courts of New York (including USD 17 million that relates to redemption payments made to clients of ING Bank (Suisse) SA, which merged with the Bank in 2010, and approximately USD 25 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions). The proceedings in the courts of the British Virgin Islands, where an amount of approximately USD 8.5 million had been claimed from the Bank, were finally dismissed in favour of the Bank with a ruling of the Privy Council, the highest court of appeals for the British Virgin Islands. In addition to the direct claims against the Bank, the Fairfield Liquidators have made combined claims in the amount of approximately USD 1.8 billion against more than 80 defendants, with only a fraction of this amount being sought from the Bank (and ultimately its clients concerned). The combined claims aggregate the damages asserted against all defendants, such that a reliable allocation of the claimed amounts between the Bank and the other defendants cannot be made at this time. Finally, in further proceedings, the trustee of Madoff's broker-dealer company (the 'Trustee') seeks to recover over USD 83 million in the courts of New York (including USD 46 million that relates to redemption payments made to clients of Merrill Lynch Bank (Suisse) SA, which merged with the Bank in 2013, such claims in principle being subject to acquisition-related representation and warranties provisions), largely in relation to the same redemption payments which are the subject matter of the claims asserted by the Fairfield Liquidators.

The Bank is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests. In the proceedings initiated by the Trustee, the Bankruptcy Court in New York dismissed the case against the Bank and other defendants based on extraterritoriality principles in November 2016. The Trustee has appealed this decision, and, in February 2019, the Court of Appeal has reversed the decision by the Bankruptcy Court. The Supreme Court denied reviewing such decision, therefore the proceedings continue with the Bankruptcy Court. In the proceedings initiated by the Liquidators, the Bankruptcy Court in New York decided in December 2018 on certain aspects, which have been appealed by the Liquidators. The Bankruptcy Court has additionally decided on certain other aspects in the Bank's favour in late 2020. That decision has been appealed as well. Both appeals have been consolidated and remain pending. Further, in October 2021, the Bank filed a motion to dismiss for lack of personal jurisdiction. In response, the Liquidators requested jurisdictional discovery, the scope of which is yet to be defined.

In a landmark decision on so-called retrocessions, the Swiss Federal Supreme Court ruled in 2012 that the receipt of fund trailer fees by a bank in connection with a Discretionary Portfolio Management mandate may create a potential conflict of interest in the execution of the mandate. The Court considered that by receiving trailer fees in the context of such mandate, a bank may be inclined not to act in the best interest of the client. Therefore, based on applicable Swiss mandate law, a bank shall not only account for fund trailer fees obtained from third parties in connection with a client's mandate, but also be obliged to forward respective amounts to a client, provided the client has not validly waived the right to reclaim such fees. The Bank has assessed this decision by the Swiss Federal Supreme Court and other court decisions relevant in this context – i.e. the Bank continues to assess such court decisions and developments, the mandate structures to which the Court decisions might be applicable, and the documentation as well as the impact of respective waivers and communicated bandwidths that were introduced in the past on an ongoing basis – and has implemented appropriate measures to address the matter.

The Bank is confronted with a claim by the liquidator of a Lithuanian corporation arguing that the Bank did not prevent two of its clients from embezzling assets of such corporation. In this context, the liquidator as of 2013 presented draft complaints with different claim amounts for a potential Swiss proceeding and initiated payment orders ('Betreibungsbegehren') against the Bank in the amount of CHF 422 million (plus accrued interest from 2009). On 8 February 2017, the Bank was served with a claim from said Lithuanian corporation in liquidation in the amount of EUR 306 million. The court proceeding against the Bank was initiated in Lithuania. On 19 October 2018, the Lithuanian court of last instance definitively rejected local jurisdiction, thereby terminating the litigation against the Bank in Lithuania. On 1 July 2019, the Bank was served with a conciliation request from the liquidator representing the assets of the Lithuanian corporation in liquidation filed with the first instance court in Geneva, related to a claim of EUR 335 million plus accrued interest since 2011. On 8 January 2020, the Bank was served with the corresponding claim in the amount of EUR 335 million plus accrued interest at a rate of 5% per annum since December 2011. The Bank is continuing to contest the claim whilst taking appropriate measures to defend its interests.

In the context of an investigation against a former client regarding alleged participation in an environmental certificate-trading-related tax fraud in France, a formal procedure into suspected lack of due diligence in financial transactions/money laundering was initiated against the Bank in June 2014 and dismissed for formal reasons by a Court Order in March 2017. The deposit in the amount of EUR 3.75 million made in October 2014 by the Bank with the competent French court as a precautionary measure representing the amount of a potential fine accordingly was reimbursed to the Bank. However, in July 2017 the same amount was deposited again as a new investigatory procedure with respect to the same matter was initiated against the Bank. In May 2020, following an application by the prosecutor, the court admitted a new indictment against the Bank in this matter. A trial in the matter took place in December 2021 at which a fine of EUR 5 million and a restitution amount of EUR 2 million

was proposed to be charged against the Bank. The competent court of First Instance is expected to render its decision in March 2022. The Bank has cooperated with the French authorities within the confines of applicable laws to clarify the situation and to protect its interests.

The Bank is confronted with a claim by a former client arguing that the Bank initiated transactions without appropriate authorisations and that the Bank has not adhered to its duties of care, trust, information and warnings. In April 2015, the former client presented a complaint for an amount of USD 70 million (plus accrued interest) and BRL 24 million, which, in January 2017, he supported with a payment order ('Betreibungsbegehren') in various currencies filed against the Bank in the total amount of then approximately CHF 91.3 million (plus accrued interest). Since December 2017, the Bank has received yearly payment orders in various currencies in the total amount of currently approximately CHF 139 million (plus accrued interest). The Bank is contesting the claim whilst taking appropriate measures to defend its interests.

In November 2014, the Bank was served in Geneva with a claim by an investment fund, acting on its behalf and on behalf of three other funds, in the total amount of USD 29 million (plus accrued interests). The funds were former clients of Bank of China (Suisse) SA, which was acquired by the Bank in 2012. Additionally, in October 2015, the claimant filed an amendment of claim in court, by which a further USD 39 million was claimed. In March 2017, the claimant reduced the total claimed amount to USD 44.6 million. The claimant argues that Bank of China (Suisse) SA acted not only as a custodian bank, but also as secured creditor and manager of the funds, and tolerated excess in leverage. It claims that the funds suffered a severe loss consequent upon the liquidation of almost their entire portfolio of assets in May 2010 and argues that this liquidation was performed by Bank of China (Suisse) SA without the consent of the funds' directors and was ill-timed, disorderly and occurred in exceptionally unusual market conditions. The Bank is contesting the claim whilst taking appropriate measures to defend its interests. In addition, such claims in principle are subject to acquisition-related representation and warranties provisions.

The Bank has received inquiries from, and has been cooperating with, authorities in Switzerland and the USA investigating corruption and bribery allegations surrounding *Petróleos de Venezuela S.A. (PDVSA)*. These requests in particular focused on persons named in the indictment ‘United States of America v. Francisco Convit Guruceaga, et al.’ of 23 July 2018. The authorities in Switzerland and abroad have, in addition to the corruption and bribery allegations against third parties, opened investigations and are inquiring whether financial institutions failed to observe due diligence standards as applied in financial services and in particular in the context of anti-money laundering laws in relation to suspicious and potentially illegal transactions. FINMA’s related enforcement procedure against the Bank and Julius Baer Group Ltd. was closed by an order as published on 20 February 2020. Julius Baer has been supporting related inquiries and investigations and has been cooperating with the competent authorities. In the meantime, FINMA also lifted an acquisition ban at the end of March 2021 initially imposed with the closing of the enforcement procedure in February 2020. Related to the PDVSA matter, in November 2019, a former employee filed a labour law-based claim in the amount of USD 34.1 million in Venezuela against several Julius Baer companies combined with a respective precautionary seizure request in the double amount. Julius Baer is contesting the claim and seizure request while taking appropriate measures to defend its interests.

The Bank was confronted with a Swiss court procedure in which a client, in the context of a mature loan arrangement, requests the release of

certain assets, which have been blocked by the Bank and third-party custodians and their sub-custodians under US Office of Foreign Assets Control (‘OFAC’) sanctions. The procedure related to questions of applicability and enforceability of international sanctions and orders under local Swiss law. The Bank was defending its position in the context of its regulatory duties to respect international orders and sanctions and abide by its contractual agreements with third-party custody banks. The competent court has decided in favour of the Bank in November 2020, and the Swiss Federal Supreme Court has ultimately confirmed such decision in August 2021. In the same context, against the background of recent political and regulatory intensification of the topic of international sanctions, the Bank had addressed this issue with the OFAC with which it is also in resumed discussion to resolve certain open issues with regard to historic compliance with OFAC regulations. A resolution in the latter legacy matter is expected to be reached in 2022.

In May 2021, the Bank became aware that a Writ of Summons (‘the Writ’) had been registered against it at the Registry of the High Court of the Hong Kong Special Administrative Region, Court of First Instance. The Writ had been filed by SRC International (Malaysia) Limited (‘SRC’) claiming the sum of approximately USD 112 million from the Bank, alleging the Bank was in breach of its fiduciary duty of care by accepting and processing payment instructions for the transfer of funds during the period 25 October 2013 to September 2016. The Bank will contest such civil claim, which has not been served, and will take all appropriate measures to defend its interests in this matter.

NOTE 21 CAPITAL STRUCTURE OF BANK JULIUS BAER & CO. LTD., ZURICH

31.12.2021 31.12.2020

Share capital

Notional amount (CHF)	100	100
Number of shares	5,750,000	5,750,000
Share capital entitled to dividend (CHF)	575,000,000	575,000,000

There is no authorised capital or conditional capital.
All registered shares are fully paid.

NOTE 22 SIGNIFICANT SHAREHOLDERS¹

Bank Julius Baer is a wholly owned subsidiary of Julius Baer Group Ltd.

	Disclosure of purchase positions ²	Disclosure of sale positions ²
Significant shareholders/participants of Julius Baer Group Ltd.³		
MFS Investment Management ⁴	9.98%	
T. Rowe Price Associates Inc. ⁵	5.07%	
BlackRock, Inc. ⁶	5.06%	0.00%
Wellington Management Group LLP ⁷	4.95%	
UBS Fund Management (Switzerland) AG ⁸	3.09%	

¹ The percentage holding of voting rights as well as the other terms as used herein have to be defined and read in the context of the relevant and applicable stock exchange rules. Please note that some of the above figures base on reports made before the following event: capital reduction on 1 July 2021 following share buy-back program reducing the number of registered shares of Julius Baer Group Ltd. by 2'585'000 to 221'224'448 (as from 1 July 2021).

² Purchase positions disclosed pursuant to art. 14 para. 1 a FINMA Financial Market Infrastructure Ordinance (FMIO-FINMA) and sales positions pursuant to art. 14 para. 1 b FMIO-FINMA.

³ Please note that a change in the holding of voting rights within reportable thresholds does not trigger a notification duty. Further details on individual shareholdings can be found on www.juliusbaer.com/shareholders or on the reporting and publication platform of the Disclosure Office of SIX Swiss Exchange at the address www.ser-ag.com in the section Fundamentals > Notices Market Participants > Significant Shareholders, Issuer Julius Bär Gruppe AG.

⁴ MFS Investment Management, Boston/USA, and its subsidiaries (reported on 30 December 2013)

⁵ T. Rowe Price Associates, Inc., Baltimore/USA (reported on 2 November 2021)

⁶ BlackRock, Inc., New York/USA (reported on 23 June 2021)

⁷ Wellington Management Group LLP, Boston/USA (reported on 4 August 2021)

⁸ UBS Fund Management (Switzerland) AG, Basle/Switzerland (reported on 26 September 2019)

NOTE 23 SHARE-BASED PAYMENTS

The programmes described below reflect the plan landscape as at 31 December 2021. All plans are reviewed annually to reflect any regulatory changes and/or market conditions. The Bank's overall compensation landscape is described in the chapter Remuneration Report of Julius Baer Group Ltd.

Deferred variable compensation plans

Cash-based variable compensation –

Deferred Cash Plan

The Deferred Cash Plan (DCP) promotes sound business activities by remaining subject to forfeiture while providing an inherently less volatile payout than shares. The DCP grant is generally made once a year as part of the annual variable compensation awarded to the individual concerned, and participation is determined on an annual basis.

These annually granted deferred cash awards vest in equal one-third tranches, subject to continued employment. The DCP may be granted outside the annual variable compensation cycle in cases where share-based plans are not permissible under local legislation or as an alternative to a Long Term Incentive Plan award (as described below).

Deferred Bonus Plan

Similar to the DCP, the Deferred Bonus Plan (DBP) promotes sound business activities by remaining subject to forfeiture while providing an inherently less volatile payout than shares. The DBP grant is made once per year and is determined in reference to the annual variable compensation awarded to the individual concerned.

Eligibility for the DBP is based on various factors, which include nomination by the CEO, overall role within the Bank, total variable compensation and individual contribution in the reporting period. All members of the Executive Board, key employees and the employees defined as risk takers of the Bank by virtue of their function within the organisation are considered for the DBP based on their specific role.

These annually granted deferred cash awards vest in equal one-fifth tranches, subject to continued employment.

Equity-based variable compensation – *Premium Share Plan*

The Premium Share Plan (PSP) is designed to link a portion of the employee's variable compensation to the long-term success of the Bank through its share price. A PSP grant is made once a year as part of the annual variable compensation awarded to the individual concerned and participation is determined on an annual basis. The employee is granted a number of shares equal in value to the deferred element. These shares vest in equal one-third tranches over a three-year plan period. At the end of the plan period, subject to continued employment, the employee then receives an additional share award representing a further one-third of the number of shares granted to him or her at the beginning of the plan period.

Equity-based variable compensation – *Equity Performance Plan*

The Equity Performance Plan (EPP) is a robust long-term incentive mechanism for key employees. The EPP is an equity plan which seeks to create a retention element for key employees and to link a significant portion of the executive compensation to the future performance of the Bank.

Eligibility for the EPP, similar to that of the DBP (as described above), is based on various factors, which include nomination by the CEO, overall role within the Bank, total variable compensation and individual contribution in the reporting period. All members of the Executive Board, key employees and employees defined as risk takers of the Bank by virtue of their function within the organisation are considered for the EPP based on their specific role. An EPP grant is made once a year and is determined in reference to the annual variable compensation awarded to the individual concerned, and participation is determined on an annual basis.

The EPP is an annual rolling equity grant (made in February each year) that awards Performance Units to eligible participants subject to individual performance in the reporting period and future performance-based requirements.

The goal of the EPP is to incentivise participants in two ways:

- Firstly, by the nature of its construction, the ultimate value of the award to the participants fluctuates with the market value of Julius Baer Group Ltd. shares.
- Secondly, the Performance Units are contingent on continued service and two key performance indicators (KPIs), cumulative Economic Profit (cEP) and relative Total Shareholder Return (rTSR). The service condition requires that the participant remains with Julius Baer for three years after the grant (through a cliff-vesting mechanism). The performance of the two KPIs determines the number of shares the participant ultimately receives.

The number of shares delivered under the EPP is between 0% and 150% of the number of Performance Units granted in any given year (with each individual KPI being capped at a maximum multiplying factor of 200%). The cap serves to limit EPP awards so as to avoid any unforeseen outcome of the final EPP multiplier resulting in unintentionally high or excessive levels of compensation. A high level of performance is required to attain a maximum share delivery (creating a maximum uplift of 50% of the Performance Units granted), with low-level performance leading to potential nil compensation.

The KPI targets are set based on the strategic three-year budget/plan that is approved by the Board of Directors on an annual basis. Extremely high (and, thus, unrealistic) performance targets are avoided, so as not to incentivise excessive risk taking by executives and other managerial staff.

Long-Term Incentive Plan (LTI)

In certain specific situations the Bank may also offer incentives outside the annual compensation cycle. Compensatory payments to new hires for deferred awards they have forfeited by resigning from their previous employer or retention payments to key employees during extraordinary or critical circumstances may be made by granting individuals an equity-based LTI.

An LTI granted in these circumstances generally runs over a three-year plan period. The Bank generally operates two different vesting schedules for this plan: (1) three equal one-third tranches vesting over a three-year period, (2) cliff vesting of all granted shares in one single tranche at the end of a three-year period.

Staff Participation Plan (SPP)

The SPP is offered to most of the Bank's global employee population. Some individuals or employees in specific locations are excluded from participating because, for example, the employees concerned are participants in another Bank equity-based plan or because the SPP cannot be offered in a particular jurisdiction for legal or regulatory or administrative reasons. Under this plan, eligible participants may voluntarily purchase Julius Baer Group Ltd. shares at the prevailing market price and for every three shares so purchased they will receive one additional share free of charge. These free shares vest after three years, subject to continued employment. Purchases under the SPP only occur once a year.

The objective of this plan is to strengthen the employee's identification with the Bank, to encourage entrepreneurial spirit, to generate greater interest in the business through ownership, and to provide employees with financial recognition for their long-term dedication to the Bank.

Movements in shares/performance units granted under various participation plans are as follows:

	31.12.2021		31.12.2020	
	Number of units Economic Profit	Number of units Total Shareholder Return	Number of units Economic Profit	Number of units Total Shareholder Return
Equity Performance Plan				
Unvested units outstanding, at the beginning of the year	838,305	838,305	786,068	786,068
Granted during the year	242,766	242,766	257,991	257,991
Exercised during the year	-211,037	-211,037	-197,186	-197,187
Forfeited during the year	-6,032	-6,032	-8,568	-8,567
Unvested units outstanding, at the end of the year	864,002	864,002	838,305	838,305

	31.12.2021	31.12.2020
Premium Share Plan		
Unvested shares outstanding, at the beginning of the year	909,196	867,228
Granted during the year	480,315	436,080
Vested during the year	-370,975	-371,425
Transferred (net) during the year	3,774	1,846
Forfeited during the year	-34,931	-24,533
Unvested shares outstanding, at the end of the year	987,379	909,196
Weighted average fair value per share granted (CHF)	54.88	49.19
Fair value of outstanding shares at the end of the year (CHF 1,000)	60,408	46,369

	31.12.2021	31.12.2020
Long-Term Incentive Plan		
Unvested shares outstanding, at the beginning of the year	449,021	485,123
Granted during the year	96,704	163,224
Vested during the year	-158,037	-161,262
Transferred (net) during the year	4,961	-
Forfeited during the year	-19,371	-38,064
Unvested shares outstanding, at the end of the year	373,278	449,021
Weighted average fair value per share awarded (CHF)	56.77	44.98
Fair value of outstanding shares at the end of the year (CHF 1,000)	22,837	22,900

	31.12.2021	31.12.2020
Staff Participation Plan		
Unvested shares outstanding, at the beginning of the year	135,446	108,552
Granted during the year	38,555	67,530
Vested during the year	-30,092	-38,501
Transferred (net) during the year	278	-304
Forfeited during the year	-4,505	-1,831
Unvested shares outstanding, at the end of the year	139,682	135,446
Weighted average fair value per share granted (CHF) ¹	58.75	34.32
Fair value of outstanding shares at the end of the year (CHF 1,000)	8,546	6,908

Number and value of equity securities or options on equity securities across all plans held by all executives and directors and by employees:

	Number of equity securities	31.12.2021 Value of equity securities CHF m	Number of equity securities	31.12.2020 Value of equity securities CHF m
Equity plans				
Total granted during the year	615,574	34.1	666,834	31.1
<i>of which members of executive bodies</i>	7,125	0.4	9,972	0.4
<i>of which employees</i>	608,449	33.7	656,862	30.7
	Number of units	31.12.2021 Value of units CHF m	Number of units	31.12.2020 Value of units CHF m
Plans based on units				
Total granted during the year	485,532	21.9	515,982	21.1
<i>of which members of executive bodies</i>	188,764	8.5	215,788	8.8
<i>of which employees</i>	296,768	13.4	300,194	12.3

Compensation expense recognised for the various share plans are:

	31.12.2021 CHF m	31.12.2020 CHF m
Compensation expense		
Equity Performance Plan	33.0	22.0
Premium Share Plan	21.6	19.5
Long-Term Incentive Plan	6.6	9.0
Staff Participation Plan	1.9	2.0
Total	63.1	52.5

NOTE 24 RELATED PARTY TRANSACTIONS

	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000	Change CHF 1,000	Change %
Claims on	4,034,239	3,164,288	869,951	27.5
affiliated companies	933,800	361,727	572,073	158.2
significant shareholders	3,069,388	2,777,019	292,369	10.5
members of the Bank's corporate bodies	31,051	25,542	5,509	21.6
<i>of which Board of Directors</i>	2,100	4,326	-2,226	-51.5
<i>of which Executive Boards</i>	28,951	21,216	7,735	36.5
Liabilities to	8,021,396	7,123,008	898,388	12.6
affiliated companies	5,522,549	4,946,728	575,821	11.6
significant shareholders	2,473,294	2,155,077	318,217	14.8
members of the Bank's corporate bodies	21,263	16,755	4,508	26.9
<i>of which Board of Directors</i>	5,321	4,605	716	15.5
<i>of which Executive Boards</i>	15,942	12,150	3,792	31.2
own pension funds	4,290	4,448	-158	-3.6
Credit guarantees to	167,939	44,858	123,081	274.4
affiliated companies	167,828	44,638	123,190	276.0
members of the Bank's corporate bodies	111	220	-109	-49.5
<i>of which Board of Directors</i>	77	184	-107	-58.2
<i>of which Executive Boards</i>	34	36	-2	-5.6
Services provided to	520,700	486,003	34,697	7.1
affiliated companies	375,661	343,352	32,309	9.4
significant shareholders	144,502	142,290	2,212	1.6
members of the Bank's corporate bodies	537	361	176	48.8
<i>of which Board of Directors</i>	209	129	80	62.0
<i>of which Executive Boards</i>	328	232	96	41.4
Services provided by	58,630	68,032	-9,402	-13.8
affiliated companies	55,938	61,545	-5,607	-9.1
significant shareholders	2,692	6,487	-3,795	-58.5

The loans granted to key management personnel consist of Lombard loans on a secured basis (through pledging of the securities portfolios) and mortgage loans on a fixed and variable basis. Transactions with the Bank and own pension funds are at arm's length.

The interest rates of the Lombard loans and mortgage loans are in line with the terms and conditions that are available to other employees, which are in line with the terms and conditions granted to third parties adjusted for reduced credit risk.

NOTE 25 ASSETS – COUNTRY RATINGS

		CHF 1,000	31.12.2021 %	CHF 1,000	31.12.2020 %
Total assets by the Bank's country risks rating classes					
	Moody's				
1-2	Aaa – Aa3	87,961,340	81.5	78,943,202	78.4
3	A1 – A3	8,290,021	7.7	9,099,963	9.1
4	Baa1 – Baa3	2,333,324	2.2	2,574,329	2.6
5	Ba1 – Ba3	677,747	0.6	592,231	0.6
6-7	B1 – Caa3	834,758	0.8	989,072	1.0
8-9	Ca – C	157,715	0.1	188,094	0.2
Unrated		7,606,855	7.1	8,116,221	8.1
Total		107,861,760	100.0	100,503,112	100.0

NOTE 26 COMPANY STRUCTURE AS AT 31 DECEMBER 2021

	Domicile	Currency	Share capital m	Equity interest %
Companies				
Bank Julius Baer & Co. Ltd.	Zurich	CHF	575.000	100
<i>Branches in Basle, Berne, Crans-Montana, Geneva, Guernsey, Hong Kong, Lausanne, Lucerne, Lugano, Singapore, Sion St. Gallen, St. Moritz, Verbier, Zurich Representative Offices in Abu Dhabi, Bogotá, Istanbul, Johannesburg, Mexico City, Santiago de Chile, Shanghai including</i>				
Bank Julius Baer Nominees (Singapore) Pte. Ltd.	Singapore	SGD	0.000	100

NOTE 27 CONTINGENT LIABILITIES

	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000	Change CHF 1,000	Change %
Credit guarantees in the form of obligations under avals, sureties and guarantees, including guarantee obligations in the form of irrevocable letters of credit	1,209,805	1,090,719	119,086	10.9

NOTE 28 IRREVOCABLE COMMITMENTS

	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000	Change CHF 1,000	Change %
Unutilised irrevocable commitments to extend credit	366,177	400,384	-34,207	-8.5
Irrevocable commitments to the deposit guarantee institution	51,416	51,908	-492	-0.9
Total	417,593	452,292	-34,699	-7.7

NOTE 29 FIDUCIARY TRANSACTIONS

	31.12.2021 CHF 1,000	31.12.2020 CHF 1,000	Change CHF 1,000	Change %
Fiduciary deposits at third-party banks	4,786,055	7,104,764	-2,318,709	-32.6

NOTE 30 ASSETS UNDER MANAGEMENT

	31.12.2021 CHF m	31.12.2020 CHF m	Change CHF m	Change %
Assets with discretionary mandate	60,142	50,675	9,467	18.7
Other assets under management	325,199	301,713	23,486	7.8
Total assets under management (including double counting)	385,341	352,388	32,953	9.4
<i>of which double counting</i>	16,423	14,349	2,074.0	14.5
Change through net new money	13,580	11,367	2,213	
Change through market and currency impacts	20,341	-3,547	23,888	
Change through divestment	-968¹	-517 ¹	-451	
Change through other effects	-	-8 ²	8	
Client assets	464,875	424,213	40,662	9.6

¹ Assets under management were affected by the Bank's decision to discontinue its offering to clients from a number of selected countries.

² Includes assets which have been reclassified following the completed roll-out of the new client advisory models in Switzerland.

Assets under management include all bankable assets managed by or deposited with the Bank for investment purposes. Assets included are portfolios of wealth management clients for which the Bank provides discretionary or advisory asset management services. Assets deposited with the Bank held for transactional or safekeeping/custody purposes, and for which the Bank does not offer advice on how the assets should be invested, are excluded from assets under management. In general, transactional or safekeeping/custody assets belong to banks, brokers, securities traders, custodians, or certain institutional investors. Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes or assets primarily used for cash management, funding or trading purposes are also not considered assets under management.

Assets with discretionary mandate are defined as assets for which the investment decisions are made by the Bank, and cover assets deposited with the Bank as well as assets deposited at third-party institutions. Other assets under management are defined as the assets for which the investment decision is made by the client himself. Both assets with discretionary mandate and other assets under management take into account client deposits as well as market values of securities, precious metals, and fiduciary investments placed at third-party institutions.

When assets under management are subject to more than one level of asset management services, double counting arises within the total assets under management. Each such separate discretionary or advisory service provides additional benefits to the respective client and generates additional revenue to the Bank.

Net new money consists of new client acquisitions, client departures and in- or outflows attributable to existing clients. It is calculated through the direct method, which is based on individual client transactions. New or repaid loans and related interest expenses result in net new money flows. Interest and dividend income from assets under management, market or currency movements as well as fees and commissions are not included in the net new money result. Effects resulting from any acquisition or divestment of the Bank are stated separately. Generally reclassifications between assets under management and assets held for transactional or safekeeping/custody purposes result in corresponding net new money in- or outflows.

Assets under management are disclosed according to the Guidelines of the Swiss Financial Market Supervisory Authority (FINMA) governing financial statement reporting.

Client assets are defined as all bankable assets managed by or deposited with the Bank companies for investment purposes and only those deposited assets held for transactional, safekeeping/custody or administrative purposes for which additional services, for example analysis and reporting or securities lending and borrowing, are provided. Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes, assets primarily used for cash management, funding or trading purposes or deposited assets held purely for transactional or safekeeping/custody purposes are excluded from client assets.

NOTE 31 EVENTS AFTER THE BALANCE SHEET DATE

There are no events to report that had an influence on the balance sheet or the income statement for the 2021 financial year.

REPORT OF THE STATUTORY AUDITOR TO THE ORDINARY ANNUAL GENERAL MEETING OF BANK JULIUS BAER & CO. LTD., ZURICH



Statutory Auditor's Report

To the General Meeting of Bank Julius Baer & Co. Ltd., Zurich

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank Julius Baer & Co. Ltd., which comprise the balance sheet as at 31 December 2021, and the income statement and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 4 to 81) for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



GOODWILL IMPAIRMENT TESTING



LITIGATION AND REGULATORY PROCEEDINGS



VALUATION OF FINANCIAL INSTRUMENTS



IMPAIRMENT OF LOANS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



GOODWILL IMPAIRMENT TESTING

Key Audit Matter

As at 31 December 2021, the Bank recognizes goodwill of CHF 315.1m arising from a number of acquisitions.

Goodwill impairment testing is performed at the level of the cash generating unit ('CGU') and relies on estimates of value-in-use based on discounted future cash flows.

Due to the significance of the Bank's recognized goodwill and the inherent uncertainty of forecasting and discounting future cash flows, this is deemed to be a significant area of judgment.

Our response

Our procedures included the assessment of the Bank's process and key controls for the testing of goodwill impairment, including the assumptions used.

With the assistance of our own valuation specialists, we critically assessed the key assumptions and methodologies used to determine the value-in-use for the CGU. We assessed the reasonableness of cash flow projections, discount rate and growth rates by comparison with the Bank's own historical data and performance and externally available industry, economic and financial data respectively.

Additionally, we considered whether the Bank's disclosures of the application of judgment in estimating key assumptions and the sensitivity of the results of those estimates adequately reflect the risk associated with goodwill impairment.

For further information on goodwill impairment testing refer to the accounting policies on page 34 and to note 14 to the financial statements on page 60.



LITIGATION AND REGULATORY PROCEEDINGS

Key Audit Matter

As at 31 December 2021, the Bank recognizes provisions for legal risks of CHF 72.2m arising from litigation and regulatory proceedings (together 'legal and regulatory matters').

The Bank is involved in a number of legal and regulatory matters which could have a material effect on the Bank but do not qualify for the recognition of a provision. These matters are disclosed as contingent liabilities.

The recognition and measurement of provisions and the measurement and disclosure of contingent

Our response

Our procedures included the assessment of key controls over the identification, evaluation and measurement of potential obligations arising from legal and regulatory matters.

We paid particular attention to significant matters that experienced notable developments or that emerged during the period. For matters identified, we considered whether an obligation exists, the appropriateness of provisioning and/or disclosure based on the facts and circumstances available.

In order to assess the facts and circumstances, we obtained and assessed the relevant regulatory and litigation documents and interviewed the Bank's internal



liabilities in respect of legal and regulatory matters requires significant judgment.

and external legal counsels. We also critically assessed the assumptions made and key judgments applied and considered possible alternative outcomes.

Additionally, we considered whether the Bank's disclosures of the application of judgment in estimating provisions and contingent liabilities adequately reflected the uncertainties associated with legal and regulatory matters.

For further information on litigation and regulatory proceedings refer to note 20 to the financial statements on pages 68 to 71.



VALUATION OF FINANCIAL INSTRUMENTS

Key Audit Matter

As at 31 December 2021, the Bank reports financial assets of CHF 21,193.2m and financial liabilities of CHF 17,889.9m measured at fair value representing 19.6% and 16.6% of total assets and total liabilities and equity respectively.

The fair value of financial instruments that are traded in an active market is determined based on quoted market prices. The exercise of judgment and the use of estimates and assumptions is in particular required for instruments where observable market prices or market parameters are not available. For such instruments the fair value is determined through the use of valuation techniques or models applied by the Bank.

Due to the significance of such financial instruments to the balance sheet and the degree of complexity involved, there is estimation uncertainty with regard to the valuation of financial instruments.

For further information on valuation of financial instruments refer to notes 10, 11 and 12A to the financial statements on pages 51 to 54.

Our response

Our procedures included the assessment of key controls over the identification, measurement and management of valuation risk, as well as evaluating the methodologies and input parameters used by the Bank in determining fair values.

For the Bank's fair value models, we involved our own valuation specialists to assess the appropriateness of the models and inputs. We further compared observable inputs against independent sources and externally available market data and re-performed independent valuations for a sample of instruments with the assistance of our own valuation specialists.

Additionally, we assessed whether the fair value determination is appropriately disclosed.



IMPAIRMENT OF LOANS

Key Audit Matter

As at 31 December 2021, the Bank reports loans of CHF 46,388.4m representing 43.0% of total assets and records a credit loss allowance of CHF 91.6m.

Loans are measured at amortized cost considering any impairment losses. The impairment of loans is estimated through the application of judgment and use of assumptions. This particularly applies to the specific allowances measured on an individual basis for credit losses established for impaired loan amounts.

The loan portfolios which give rise to the greatest uncertainty are typically those with concentration risks in collaterals that are potentially more sensitive to global economic trends.

Our response

Our procedures included the assessment of key controls over the approval, recording and monitoring of loans and an evaluation of the methodologies, inputs and assumptions used by the Bank to assess the adequacy of impairment allowances for individually assessed loans.

For a sample of loans with specific allowances for credit losses we evaluated the Bank's individual impairment assessment and specifically challenged the Bank's assumptions used, including the value of realizable collateral and the estimated recoverability. Based on a retrospective review, we further critically assessed whether the Bank revised its estimates and assumptions for specific allowances established in prior year.

We also tested a sample of individually significant exposures which had not been identified as potentially impaired by the Bank and assessed whether appropriate consideration was given to the collectability of future cash flows and the valuation of the underlying collaterals.

For further information on impairment of loans refer to note 8 to the financial statements on pages 41 to 49.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

A handwritten signature in black ink, appearing to read 'M. Liberto'.

Mirko Liberto
Licensed Audit Expert
Auditor in Charge

A handwritten signature in black ink, appearing to read 'C. Wipfler'.

Corina Wipfler
Licensed Audit Expert

Zurich, 18 February 2022

KPMG AG, Badenerstrasse 172, CH-8036 Zurich

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